

U.K. Labor Party Puts Off Divisive Leadership Issue

From Agency Dispatches
BLACKPOOL, England — Britain's Labor Party plunged into confusion and feuding between its left and right wings, voting Thursday to hold a special party convention in January to decide who will choose the party leader.

Whatever method is agreed upon, it will improve the chances of a left-wing contender by giving

Kosygin in Hospital, Moscow Tells Swedes

MOSCOW — Soviet officials have told a visiting Swedish delegation that Premier Alexei Kosygin has been hospitalized for heart and blood pressure problems, Swedish sources have said.

The delegation was not told how serious Mr. Kosygin's condition was or how long he might be in the hospital. Mr. Kosygin was out of sight for four months last winter and was rumored to have had a heart attack or a stroke.

trade unionists and grass-roots party officials a say in the leadership choice. The old rules, which were overturned Wednesday at the annual party conference here, restricted the vote for party leader to Labor members of Parliament, most of whom are from the right wing.

To another resolution Thursday sponsored by the left wing, the party voted to commit itself to unilateral nuclear disarmament, an issue that has split the party since the end of World War II. A motion urging Britain's withdrawal from NATO was defeated.

The vote to delay a decision on choosing a leader, presumably until tempers cooled, was a short-term respite for James Callaghan, 68, the party leader and former prime minister.

Had the old rules applied, Mr. Callaghan was considered almost certain of re-election in November. But after the convention in January, he will have to submit to the

new franchise and the increased cost of the election.

The conference has been dominated by the leadership issue partly because Mr. Callaghan, prime minister for three years until Labor's defeat last year by Margaret Thatcher's Conservative Party, was widely expected to retire this fall. Some politicians were speculating that he might now stay on as party leader until after the special conference. It is thought that he hopes to ensure a moderate successor.

During the last 24 hours of confusion and heated arguments in private meetings, the delegates rejected three proposed methods for the elections. The overwhelmingly voted Thursday to put off the problem for three months, leaving the split between the party's left and right wings wider than ever.

Right-wingers fear that a new election method could give the leadership to Tony Benn, a former energy secretary. They believe that his extreme left-wing views would

cost Labor the next general election, due in 1984.

The resolution calling for unilateral nuclear disarmament is to be included in Labor's platform for the next election. It was opposed by Mr. Callaghan.

Policy Control Issue

In the past, decisions taken in the conference decisions have not been binding on a Labor government. But in the bitter left-right struggle within the party, a key issue is how much policy control the party leadership will have.

Shirley Williams, a former education secretary, who is heading a right-wing campaign to retain control over party policy, said: "People are now getting scared. The party has the right to choose the leader but it has no damn right to choose the prime minister."

The conference has passed several left-wing policy resolutions: for withdrawal by Britain from the European Economic Community,

for more state control of industry, and the abolition of private education and private health care.

Several disarmament motions were approved Thursday including one "opposing British participation in any defense policy based on the use or threatened use of nuclear weapons."

The Daily Mirror, a newspaper that has consistently supported the Labor Party, said Thursday: "The lunacy of the left is in full flood, and it is threatening to overwhelm the Labor Party. Time and again decisions have been taken at the party's Blackpool conference this week which can have only one result: defeat at the next general election."

EEC's Jenkins in Spain

MADRID — Roy Jenkins, head of the Commission of the European Economic Community, arrived Thursday for two days of talks.

Analysts Say Invasion Has Come to Halt

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the town, on the main highway to central Iran and Tehran. Dezful is where there is a confluence of the oil pipelines from Abadan and Ahwaz that supply Tehran. However, the Iraqi tank and infantry units outside Dezful, like those elsewhere, would require significant reinforcements and reinforcement to take the town and advance up the main road.

"In the next phase," a British analyst said, "if there is a next phase, Dezful would be their most rewarding objective."

Iran's ground forces appear to be no nearer to mounting an effective counteroffensive. Revolutionary guards and men of the regular army are reported to be fighting stubbornly in the three besieged cities, but they are on the defensive and the cities are burning.

The Iranians have deployed a few tanks: most of those identified have been U.S. M-60A1s. But, according to U.S. analysts, they have been used in small groups without air cover, and, as a result, they have proved vulnerable to fire from Iraqi anti-tank guided missiles.

There are no reports that Iran's British-built Chieftain tanks, the country's best, have entered the battle. The reason may be lack of proper maintenance, like all complex equipment, without periodic care they are subject to breakdowns.

Both sides are issuing what analysts consider inflated reports of tank kills. Iran, for example, claimed it had destroyed 67 Iraqi tanks. The Iraqi claims were more modest: They conceded losing 7 tanks and knocking out 10 of the enemy's.

Iraq, although it has more tanks, has been using them largely in a defensive manner. Instead of deploying them in open, mobile warfare the tanks have been dug in, hulled protected, for use as anti-tank weapons. This defensive tactic also underlines the loss of momentum in the Iraqi offensive.

A renewal of the offensive, analysts argued, would be difficult even against moderate resistance unless fresh troops are committed. Thus far only three of Iraq's eight conventional divisions, four armored and four infantry, have been in action.

There has been no sign of troops from Iraq's four mountain divisions. These divisions, analysts believe, are being held in reserve to meet any insurrection by the Kurds in the northeast.

Iraqi reliance on armor reflects the doctrine instilled in its officers by their Soviet advisers; this calls for the maximum use of artillery and restricts the use of tanks in attacks on cities. But analysts said that the current rate of artillery fire could not be long maintained unless there was a major supply effort.

For Iraq, analysts agreed, the picture is less clear than it was a week ago. The offensive has been halted apparently on the high command's initiative, but the ground forces occupy positions from which a renewed offensive could be begun.

Iraq, however, has been given time to gather its forces for a counterstroke. Its forces may be incapable of such an effort, the analysts said, but the opportunity is there.

Opposition Leader Arrested in Paraguay

WASHINGTON — Domingo Lauro, a Paraguayan opposition leader, has been arrested in Asunción by Paraguayan political police, according to his wife, Rafaela, who telephoned a human rights group here.

A leader of the Special Democratic Party, Mr. Lauro was seized Tuesday by a group of armed policemen at his home. Mrs. Lauro said police have not revealed where her husband is being held.



President Anwar Sadat addressing a congress of the ruling National Democratic Party. He offered the United States the use of Egyptian facilities in defense of Arab and Islamic countries.

WORLD NEWS BRIEF

Peking Admits Wide Abuse of Human Rights

PEKING — The government admitted Thursday that there has widespread abuse of human rights in China and said that efforts to correct the violations are encountering official resistance, particularly provincial and middle-ranking officials.

The Communist Party newspaper People's Daily, quoting the news agency, said China's recently revived judiciary found 9,000 guilty in 8,000 completed cases of 10,000 reported rights violations figured from January, 1979, to last June.

Among the guilty, 1,800 will be prosecuted for criminal acts; rest will be dealt with by their state employers, the report said. Violations included illegal detention and searches, "forcing confessions with torture, vengeful frame-ups, obstruction of justice ... and gal opening, hiding and destruction of personal mail," it said.

Police Label Oktoberfest Bomb British Try

MUNICH — The bomb that exploded at Munich's Oktoberfest week, causing 13 deaths, was of British origin, police said Thursday. Authorities said 97 people injured in the blast are still hospitalized in critical condition. Twelve persons died last Friday when the went off at the crowded beer festival, and a thirteenth died Wednesday.

The federal prosecutor's office in Karlsruhe said Wednesday the was a mortar grenade "which did not come from German stockpiles but was taken to the fairgrounds by 21-year-old G. Koehler, a member of a neo-Nazi organization, who died in the blast."

Quake Risk Confirmed at California A-P

SAN ONOFRE, Calif. — A government expert says an investigation confirms that the San Onofre nuclear plant is on a fault capable of a major earthquake. The plant is owned by the California Electric Power Co. and is one of the U.S. Geological Survey said Wednesday connection was found between the Christiansburg fault and the wood-Newport fault. Mr. Greene said the investigators, "don't stand the exact nature of this connection."

An anti-nuclear group, Friends of the Earth, has claimed that fault lies five miles offshore from the plant with a potential for earthquakes measuring up to 7.5 on the Richter scale, a nuclear plant would fail to withstand one bigger than 6.5.

5 Hurt in Racial Fight at Boston High School

BOSTON — Fighting broke out Thursday between black and white students at South Boston High School, leaving five injured and officials to close the school, police said.

The fight was the first racial incident of the year at the school, school officials said, "this has been brewing for some time." C. dored busing at the school has led to sporadic violence since 1974. The fighting reportedly began in the auditorium. White students walked out of the school, and black students were bused home. Reported minor injuries among a dozen other students.

18 Killed in El Salvador; Coup Bid Is All

SAN SALVADOR — Eighteen persons were reported killed in violence in El Salvador late Wednesday and early Thursday. Leftist militants accused a member of the ruling junta of plotting and inviting U.S. military intervention.

Officials said those killed included a 65-year-old man in San Salvador and a young man who was shot to death in front of his mother's home. The killings occurred only hours after leftist forces failed in an attempt to dynamite a military convoy, officials said.

A leftist group, the Armed Forces of National Resistance, a statement accusing Col. Adolfo Majano, a moderate junta member plotting to stage a coup this week as "a pretext for direct military intervention" by U.S. Marines. Col. Majano was a leader of the coup last year in which President Carlos Romero was deposed.

Baghdad's Tactics Apparent To Reflect Miscalculation

(Continued from Page 1)

lomatics receiving reports from Tehran embassies.

The battlefield performance of Iran's Arab forces, apparently good, could ease the tensions between the military and many Iranian revolutionaries, who often viewed the army with suspicion because it had been loyal to the shah.

Both Iran and Iraq are threatened by fragmentation because of the separatist ambitions of ethnic groups such as Iran's Arabic-speaking population, Iraq's Shiite Arab majority, and both countries' Kurds, who are 000-Arab Moslems.

Such groups, diplomats said, could cause trouble in Iraq if Mr. Hussein's authoritarian regime appeared threatened. In Iraq, in contrast, the Iraqis have momentarily ended the regime's problems with its minorities.

If the military conflict remains deadlocked, diplomats expect both sides to increase their diplomatic offensive in the Gulf states.

Iraq, anxious not to be left alone with a lost cause, might try to bring other Arab governments into the conflict. Mr. Hussein, despite his initial military difficulties, has now formally proclaimed as a war aim the recovery of three small Gulf islands seized by Iran in 1975 — an apparent attempt to Arabize the conflict, diplomats said. Arab governments will have to weigh their fear of offending Iraq against their reluctance to risk their own oilfields in a perhaps unwinnable war.

Iraq, on the other hand, could call on Arab Shiite Moslems to form a pro-Iranian fifth column in the Gulf.

Carter's Mother To Have Surgery For Broken Hip

AMERICUS, Ga. — President Carter's mother, Lillian, 82, broke her hip in a fall Thursday at her home outside Plains, Ga., and was to undergo surgery later in the day. Her doctor said she was in good condition at Sumter County Hospital.

Hospital spokeswoman Jo Collins said Mrs. Carter fell just after arising. "She is comfortable at this point and in good spirits," the spokeswoman said. She said Mrs. Carter's personal physician, Dr. John Robinson, will be one of the doctors performing the surgery.

Mr. Carter was told of the accident before he left the White House on a campaign trip to Dayton, Ohio, and Philadelphia.

An active campaigner on behalf of her son, Mrs. Carter, known as "Miss Lillian," had been scheduled to leave soon on a campaign trip to Texas, Oklahoma and Missouri. Dr. Robinson said he did not know how long Mrs. Carter would have to stay at the hospital.

Warsaw Pushes Campaign

Unionists in Poland Affirm Strike Call

WARSAW — Leaders of the independent trade union movement stood by their call for a one-hour national strike Friday of selected industries despite a stepped-up government campaign to defuse the action — the first test of the union movement's strength.

A spokesman for the movement's headquarters in Gdansk said Thursday that, despite seven hours of talks with First Deputy Premier Mieczyslaw Jagielski on Wednesday, the strike would be carried out because the government had not met the movement's conditions.

The union movement, a national umbrella organization headed by Gdansk strike leader Lech Walesa, wants higher wages and more access by union organizers to the media. The union movement claims to represent a quarter of the Polish work force, so the effectiveness of the stoppage will be considered to be a test of the organization's strength.

Government newspapers carried statements Thursday by officials who emphasized the reforms that have been instituted since the settlement of the Gdansk strike on Aug. 31. Among the concessions, government press spokesman Josef Barecki said, were wage agreements last month covering eight million workers at several hundred plants.

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U.S. Senate Acts On Food Reserve

WASHINGTON — The Senate voted Wednesday night with little debate to create an emergency food reserve to make grain available to the Soviet Union available to developing nations. The move would also increase government loan rates for grain in the farmer-owned reserve.

The legislation, which must be approved by the House, would create a reserve of up to 4 million metric tons of wheat already purchased by the government. The president would be authorized to make the grain available on humanitarian grounds to developing nations through loans or grants.

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Iraqi photo shows Iranians held prisoner north of Basra.

Iraq Hints of Slowing Push To Consolidate War Gains

(Continued from Page 1)

of resistance" on the southern front in Khuzistan, destroying 14 Iranian tanks, 2 military camps and 2 "rocket bases." Iraq said it lost 7 tanks and "129 various other vehicles."

Iraq said a unit of Ayatollah Ruhollah Khomeini's Revolutionary Guards "seized more than 20 tanks" and captured 12 Iraqi troops in an attack that cost the life of the guard's unit commander.

A crucial factor in the war is Iran's tenuous supply lines to its besieged cities. If Iraqi forces could cut the flow of arms to Khuzistan, the Iranian strongholds would probably fall within a few days, sources said.

Diplomatic sources in Baghdad said that in the long term Iraq would be in a much stronger position than Iran if the fighting went on into the winter. They said that despite severe damage to its oil installations and industrial plants, Iraq, with its huge foreign currency reserves, could secure plentiful supplies of fuel, food and arms from friendly Arab states along overland routes.

By contrast, the fighting in Khuzistan has cut off Iran's main source of oil and vital imports. The sources said that winter in Iran was more severe than in Iraq and that the Iranians could suffer critical food and fuel shortages if the war dragged on.

A United Press International correspondent reported from inside Iranian territory that Iraqi forces were digging in solidly, apparently preparing for a long fight, and had thrown in reserves so given they could not tell their military rank from the stripes they wore.

Tehran radio reported that Premier Mohammed Ali Rajaei Thursday rejected a peace initiative by Cuban leader Fidel Castro, saying "he has misunderstood our revolutionary people." The radio said Mr. Rajaei was speaking to Cuban Foreign Minister Isidoro Malmierca, who is in Iran on a peace mission.

"I am surprised at Mr. Fidel Castro's message recommending to us to sit around a negotiating table with [Iraqi President] Saddam [Hussein] while we are under the chains of the tanks and the shells of the enemy," Mr. Rajaei was quoted as saying.

Sadat Offers U.S. Springboard
CAIRO (UPI) — President Anwar Sadat, concerned about possible repercussions of the Iraq-Iran war on Gulf security, has offered the United States full freedom to use Egypt as a military springboard for defending Arab and Islamic states "as far away as Indonesia."

Mr. Sadat coupled his offer Wednesday night with a warning to Iran against any attempt to impose "hegemony" over other countries in the region. He appeared concerned in particular about the security of Saudi Arabia, the

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البريد

Need to Support Mugabe

There is nothing more important for Prime Minister Robert Mugabe than the just maintenance of order in Zimbabwe. And there are few countries in which the challenges to order are greater than in the former white-ruled Rhodesia. First, there is the overwhelming task of developing a relationship of trust between the black majority and the white minority. Then, there is the need to pacify the guerrilla faction of Joshua Nkomo, which fought the war, but didn't win first prize — control of the government. Mr. Mugabe must also forge an army out of two forces that spent years killing each other in the Rhodesian bush. At first it looked like he was going to have the help of the former army commander, Gen. Peter Walls, in doing that. But Gen. Walls announced his retirement and spoke out indiscreetly against the new government and now it looks as if he might be banned from returning home from abroad. That could further erode the confidence of the 200,000 or so whites remaining in Zimbabwe.

In recent weeks there have been a number of troubling incidents, starting with the murder of a white farmer. A chief Mugabe lieutenant, Edgar Tekere, has been charged with the killing. Mr. Tekere, minister of manpower, development and planning, is free on bail awaiting trial. The manner in which that trial is conducted will serve as a clear signal of Mr. Mugabe's commitment to justice, which must underlie any serious commitment to order in that fragmented country. No group must feel that it is being discriminated against. There have been other murders of both whites and blacks involving still heavily

armed guerrilla fighters, some 35,000 of whom were gathered in camps after the fighting ended to await reintegration either into the new army or into civilian life.

Fifteen hundred such guerrillas were moved this week to a housing settlement on the outskirts of Salisbury. They were carrying rifles, rocket-propelled grenades, bazookas and mortars. For some of them, their entire adult lives have been spent fighting. They don't know any other life. It's not going to be easy to keep these men happy. If one wants a white farmer's land, for example, his inclination might be to simply try and take it. The implications of that are clear enough. The whites will fight or leave. Neither course will do much for Zimbabwe's stability.

Fortunately, the Marxist, but anti-Soviet Mr. Mugabe shows every sign of understanding the problem and so far he has done the right things to keep the lid on. His quick decision to bring Mr. Tekere to trial was correct and so is his latest decision to deploy units of the newly integrated army to control the lawlessness currently threatening the country. Just about everything the Zimbabwean prime minister has done since taking office should encourage the industrial democracies to support him. He is going to need that support and it ought not to be miserly. The \$250 to \$300 million over the next few years that has been recommended by Rep. Stephen Solarz, D-N.Y., is in the right range for a U.S. aid program. The administration's recommended \$30 million for fiscal year 1981 is clearly inadequate.

INTERNATIONAL HERALD TRIBUNE.

Lame Ducking

A lame duck session is a marvelous device for escaping political responsibility. Congress already seems to take it for granted that it will come back into session after the election, for four or five weeks. As the congressional leaders explain it, the burdens of public service have been unusually heavy this year, and a crowded schedule requires a brief return to Washington in November to tie up a few loose ends.

What blather. Congress has, in fact, indulged in a flagrant example of institutional procrastination, engineered for the sole purpose of avoiding certain painful votes before Nov. 5. Most of those votes concern the budget and spending. Readers will doubtless have perceived long since that next year's budget will run a large deficit. No one disputes it. But Congress doesn't want to acknowledge it formally until after the election.

A lame duck session is dangerous. Some of the more influential committee chairmen will be closing their offices and their careers, not all of them voluntarily. When they no longer have anything to lose, a few of them may well be tempted to settle a few outstanding accounts before they go. Strange bills can be enacted by legislatures in which large numbers of members will never again have to face

the voters. There's the further possibility, incidentally, that the lame duck Congress may find itself sending legislation to a lame duck president.

Of the 13 appropriations bills, only one has been passed. The others are being deferred out of solicitude for the presumed feelings of the voters. It seems likely that the second and binding budget resolution, along with the budget reconciliation bill, will be similarly postponed, for the same bad reason.

Other legislation, some of it of great importance, is also being pushed beyond the election. The bill establishing the Superfund to clean up chemical and oil wastes is one of them. The Alaska lands bill is also being deferred until after the election. Both would be vulnerable to attack — perhaps by means of the attachment of last-minute riders — by people who have a few weeks' power unchecked by the thought of elections.

It is apparently already too late to avoid a lame duck session this year. But its true intention deserves to be recognized. It is a deliberate attempt by Congress to evade its accountability to the people for whom it works.

THE WASHINGTON POST.

Risking the Double Dip

The next few months will be more difficult than usual for the Federal Reserve Board. Chairman Paul Volcker and the governors of the powerful central bank will be trying to hold back inflation during an economic recovery. If the Fed overdoes it, the economy could end up back in recession — a scenario that economist call the "double dip."

Ironically, the way the Fed plans to fight inflation is by letting interest rates continue their recent climb. Though this strategy takes some explaining, it is the best of the Fed's limited options.

The Fed's strategy is already obvious. Mortgage rates are climbing; bond rates, too; and the prime rate charged to favorite customers had moved up six times in six weeks. It has hit 14 percent at one bank this week. And the cries of pain are just as clear. The Fed critics worry that the rise in rates will cripple the housing industry, which began this year to recover from its near-depression. They fear that business will be forced to cancel investment plans. They fear, in short, the double-dip.

In the past, the Fed has been sensitive to such worries. Not this time. Under Chairman Volcker, the bank has decided that its primary mission is to control the overall growth of money and credit, not to control interest rates. It hopes thereby, to do a better job of holding down inflation.

This approach is at least plausible. The

Federal Reserve Board typically has tried to generate stable economic growth by generating very small changes in interest rates. But with the nation being swept by rapidly changing expectations about inflation, that strategy has not worked. In fact, it has backfired. In trying to hold down interest rates, the Fed has pumped so much credit into the economy that it has instead generated higher inflation — and higher interest rates too.

Obviously, there is room for improvement in the way the Fed operates. But the strategy is mired in difficult and unproven economic theory and Mr. Volcker's plan could turn out to be wrong after all. He might well bring about renewed recession, as his critics predict. Or, for all that effort, he might not manage to shave much off the inflation rate. Or both. But the undertaking will still have been worthwhile. The risks of prolonging the recession are not as horrible as the risk of another bout of accelerating inflation — followed by an even worse recession.

The real test, of course, involves not just the Federal Reserve Board but the entire federal government. The government has no policy in place to bring inflation down. Nor will such a policy soon materialize during the political paralysis of a campaign. The Fed cannot do the job alone, but in the meantime it can try to move policy. It is moving in the right direction.

THE NEW YORK TIMES.

International Opinion

On U.S. Timing in Gulf

The Iranian threat to bomb the Gulf states which support Iraq has activated a ground swell of opinion in the United States. This is the time, a bevy of politicians are saying, to draw the line, make a stand, protect a vital economic resource from irrational destruction by minor powers. But it is not the time.

In the International Edition

Seventy-Five Years Ago

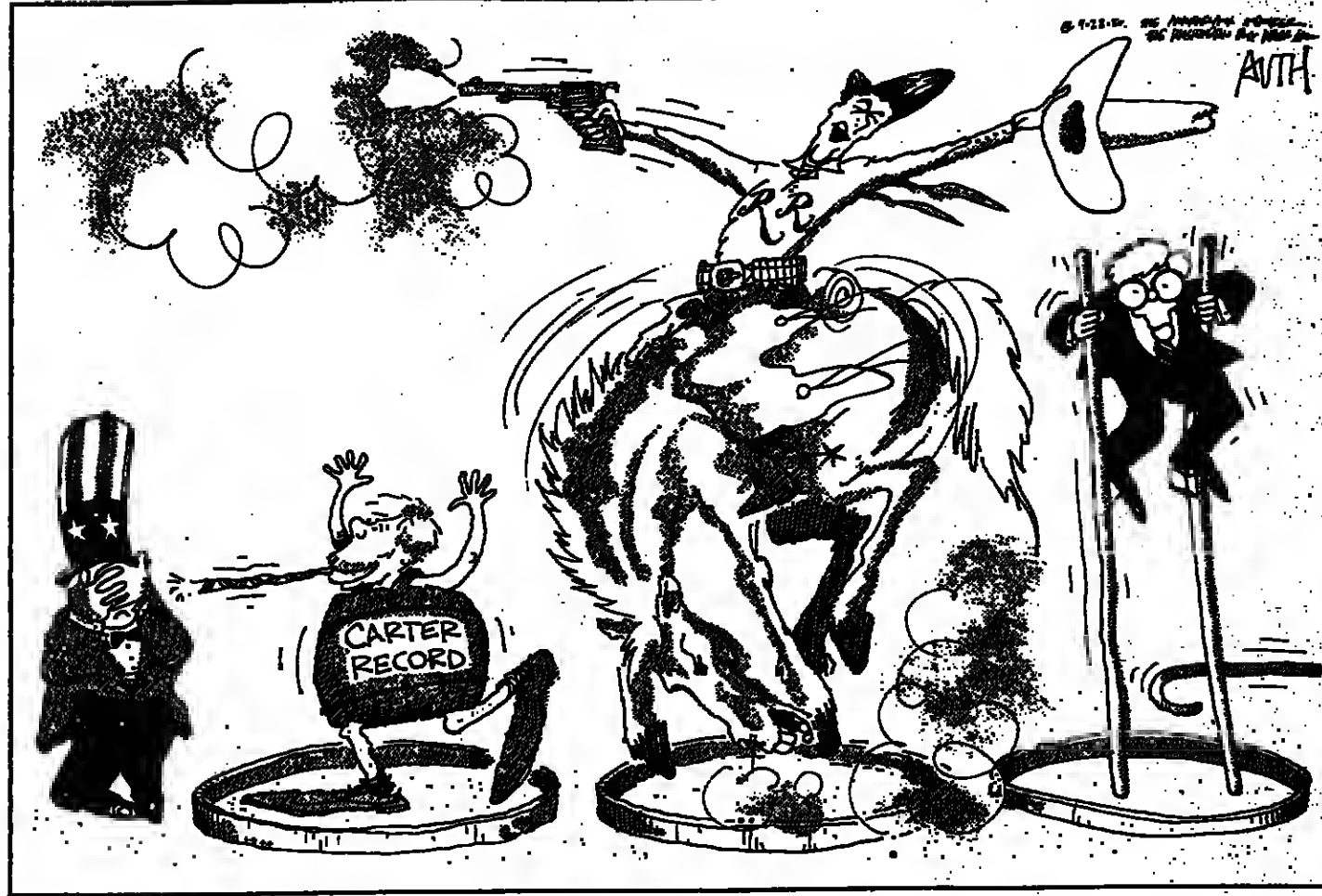
October 3, 1905

MADRID — The governments of France and Germany have come to an agreement to propose the following program to the Sultan of Morocco. It covers: 1. Organization of the police outside the frontier regions. 2. Regulations for the organization of means to repress the illicit trade in arms. 3. Financial assistance to be given to the Moroccan government, the Maghzen, by the creation of a state bank, to undertake treasury operations and to act as an intermediary for the new coinage. 4. The Maghzen will not dispose of any of public services for the benefit of private interests. The principle of "contract by tender" system for public works is to be adopted.

Fifty Years Ago

October 3, 1930

WASHINGTON — Following student disorders that broke out in Cuba earlier this week, the latest dispatches from Havana report that at a special session held early this morning, the Cabinet agreed to President Machado's request that constitutional guarantees be suspended in the city and county of Havana for the purpose of pacifying the capital. The suspension of guarantees may bring martial law in its wake. While the State Department here is watching the situation closely, it appears that it is not prepared to state the policy that the United States would pursue in the event the present disorders in the Havana area should develop into a Cuban revolution.



Holy Bullies of the Right

By Ernest Conine

LOS ANGELES — *Kio krom.* Any red-blooded American has to be a little hesitant to quote a Russian phrase made famous by Lenin. But it's hard to think of any other phrase that so succinctly sums up the current uproar over the so-called "Christian right" in U.S. politics.

Translated into the American idiom, *Kio krom* means that it all depends on whose ox is being gored. Fashionably liberal pundits and politicians have suddenly discovered that there is a new political movement abroad in the land — a marriage-of-convenience between so-called born-again Christians and right-wing conservatives.

The country's major newspapers have devoted reams of space to the phenomenon. Respected commentators have pontificated on the danger to the republic of violating the separation of church and state. Patricia Harris, secretary of health and human services, told a Princeton audience last week that the political activists among fundamentalist Christians remind her of the Ayatollah Ruhollah Khomeini.

On the Rise

A look at the facts suggests a different evaluation: that the development of a "Christian right" is indeed an important political development, that its leaders so far are operating within the present-day norms of U.S. politics — and that its influence is probably being exaggerated.

There is no question that political activism is on the rise among evangelical Christians, nor is there much doubt that the thrust is basically conservative. It is possible that some veteran liberals, including Sen. George McGovern, D-S.D., will be voted out of office as a result of muscle-flexing by Bible-thumping activists.

The evangelical lobby opposes gun control, government-paid abortions and the Equal Rights Amendment for women, and favors capital punishment, prayer in public schools, a balanced budget and a strong defense posture.

It clearly intends to favor politicians — specifically Ronald Reagan at the moment — who seems most willing to translate this "Christian" program into public policy.

The evangelical agenda for the United States may or may not be the best way to go. But it is a bit ridiculous to say that its advocacy constitutes some novel, uniquely dangerous departure from the constitutional separation of church and state.

Not New

The churches were an enormous force for the abolition of slavery in the last century. Martin Luther King Jr. made effective use of the pulpit to further the civil-rights movement.

The late Cardinal Spellman was a political power in New York. On the Protestant side of the fence, there was, among other people, the Rev. Norman Vincent Peale of the Riverside Church in Manhattan. Adlai Stevenson, cracking back at Peale's support of Dwight Eisenhower's candidacy in 1952, commented, "I find St. Paul appealing and St. Peale appalling."

A better criticism is that the New Right seeks to enforce a simplistic litmus test on elected officials — and, if they vote the "wrong" way on ERA or government-funded abortions, off with their political heads, no matter how they vote on other issues.

But the born-again Christians did not invent single-issue politics. That dubious honor belongs to environmentalists, feminists, civil-rights leaders and, in some communities, gay-rights activists.

A Little Spooky

Most critics of the New Right would not be concerned if the separation of church and state were being "violated" for causes of which they approve.

Of course, any small-d democrat has to feel a little spooky when he listens to some of the New Right gurus — one of whom told "60 Minutes" lately that a citizen cannot be both a Christian and a liberal.

Richard Viguerie, one of the movement's chief fund-raisers, thumped his chest recently and

boasted, "We've already taken control of the conservative movement. And conservatives have taken control of the Republican Party. The remaining thing is to see if we can take control of the country."

That's powerful stuff. But can it be taken at face value? If you count everybody who belongs to fundamentalist Protestant churches or who professes to have born-again religious experience, you can come up with 35 million Americans or even more. Right away, however, you have to deduct black evangelicals, who march to a different drum. Then you subtract the sizable minority of liberal whites — mostly graduates of the Jesus movement of the 1960s.

Media Stars

Finally, you have to abandon the insulting assumption that fundamentalist Christians are sheep who unthinkingly swallow the party line as handed out by the movement's media stars — the television preachers who reach millions of viewers each week. When you finish the shaking-out process, you are still left with a powerful political movement. Instead of beating their breasts, however, the critics might more profitably ponder the question of what brought all this about.

Polis indicate that, while evangelicals are most heavily concentrated in the South and Middle West — the old Bible Belt. They tend to be older, more socially conservative, less affluent and less educated. They are the sort of folk, in short, who used to be brass-collar Democrats.

As they see it, government no longer supports the family and traditional values in general. Instead, through permissiveness toward pornography, teen-age sex, abortions, the drug culture and the public flaunting of homosexuality,

the government has joined the forces of immorality. Or so many born-again Christians believe.

Obsolete Views Maybe time has rendered such views obsolete. Maybe not. Without question, however, those were the values held by the vast majority of Americans only a decade ago.

and, as the emergence of the Christian right demonstrates, are held by many millions today. It would be unfortunate if liberal and moderate politicians allowed themselves to be intimidated by the bullies among the holy men of the right.

But it is no good telling people that it is right for government to inject itself into moral questions — as it has in recent years — but wrong for born-again Christians to work for the election of politicians who do not turn a tin ear to their honest concerns.

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The Parts and the Whole

By Flora Lewis

NEW YORK — Complaints about the U.S. system of government are a familiar litany from foreigners unaccustomed to the idea of checks and balances. Separation of powers both horizontally — among the executive, Congress and the judiciary — and vertically — among federal, state and local governments — is unique to the United States. Outsiders tend to believe either that it is not real or that it cannot work.

For the first time in many years, however, some of the most thoughtful and experienced Americans in public life are coming to say it doesn't work. It is the most startling change I have found on a visit home.

The White House counsel, Lloyd Cutler, has suggested a constitutional convention to revise the basic institutions. He hesitates among a variety of ideas borrowed from European parliamentary systems to give the executive more power and impose more responsibility on Congress.

Loss of Power

The loss of effective power so widely bemoaned in Washington, at a time when Americans are demanding many more services of government, comes essentially from three factors.

One is the weakening of national political parties by new ways of nominating candidates and financing campaigns. In the zeal of cultivating grass roots in the 1970s, primaries mushroomed while political funding was concentrated on final campaigns, through income tax checkoffs and limits on contributions. Now, a lot more money is spent at the wrong time, and not enough is available when it is really needed, to identify and develop potential candidates. Another look is needed at how to mesh party financing and nominating procedures. John Anderson has to stay in the race now, like it or not, because it's the only way he can get federal funds to pay off campaign debts already incurred.

Distress

John Gardner, founder of Common Cause, has written about the "war of the parts against the whole." He argues that there is an urgent need for a "little less plaid" and a "lot more sense" in what he calls "this shattered country." Others of stature speak in private distress about the "fragmentation" of U.S. society and lack of "an integrative force."

There is something in it, but perhaps not what the critics are pointing, when they cite single-issue campaigns, congressional disarray, a poor choice of president.

Letters

Debating Point

President Carter was right to skip the debate. After all, the only question that can be answered by the League of Women Voters' 1980 version of "What's My Line?" will hopefully come at the end when the moderator should ask, "Will the real Republican candidate please stand up?"

LARRY NASH.

Kitchen Video

The Weekend Section article on the Paris Biennale (IHT, Sept. 27-28) is misleading concerning my views on video art today — something I feel must be corrected. The article seems to imply that I do not appreciate the work of the Kitchen in New York. The opposite is closer to the truth. The Kitchen was a pioneer in the presentation of video as an art form and continues to be one of the most important showcases, both nationally and internationally, for current video as well as for other art forms.

Paris.

League of Nations

It has been stated by James Reston (IHT, Sept. 18) that "political arguments led to the defeat of the

League of Nations at the end of World War I."

This is likely to be misunderstood, since the League of Nations was founded only in 1919, after the end of the war, during the process of peace-making. Sure enough, the U.S. Senate declined to ratify the Versailles Treaty, and subsequently the United States did not join the League of Nations. Thus, one could say, the League of Nations was defeated from the beginning.

Pluralism

In sum, these are problems of the way Americans have come to use the system and to express the pluralism that the Constitution safeguards. Before challenging the structure itself, more thought and debate can be turned to how these new habits affect its function and how they can be adjusted. There is a sense of trial in the country now, and it is in time of trial that Americans have always found they can build strength on diversity.

A series of little corrections can be made by voters, politicians, parties and media to fit the parts together again. Americans and their government aren't impotent, but they are waiting for somebody else to do something while each does his own thing.

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Herald Tribune

Published with the New York Times and the Washington Post

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Parish.

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Christian Democratic Chief Forlani Will Attempt End Italian Crisis

Land Dallas

Readers

Arnaldo Forlani, president of the Christian Democratic Party, said Thursday that he planned to try to end the political crisis by forming a new government.

Forlani did not specify what role, if any, he would play in the new government, but he said he would begin with party leaders.

Forlani said Mr. Cossiga's Christian Democrats, Republicans and Socialists should form a coalition government. He said he needed

"broad convergences" and a "broad parliamentary base of consensus."

He did not elaborate but his words implied that he might try to bring the small centrist groups, the Social Democrats and the Liberals, into a new Cabinet to strengthen the ruling majority and also to establish better relations with the Communists.

This kind of solution would avoid the pitfalls of the Cossiga government, which had a parliamentary majority but was brought down by dissidents inside the coalition and was constantly attacked by the Communists.

Mr. Forlani, a relaxed and affable veteran politician, has held seven Cabinet posts including that of foreign minister.

Communist Conditions

The Communist Party has been saying that it will remain in opposition unless it is given Cabinet posts but has also said that the extent of its opposition will depend on the behavior of the government.

If he succeeds in forming a government, Mr. Forlani will face two major problems needing urgent solutions.

He will have to find a substitute for the Cossiga government's major economic policy decree which collapsed when parliament refused to confirm it in the vote Saturday, bringing down the government.

The decree, containing tax increases and boosts in spending for ailing industries and the poor South, had already been implemented throughout Italy and is causing administrative chaos.

Mr. Forlani will also have to face an angry confrontation between management and labor over the Fiat auto company's plan to lay off 23,000 workers for three months during the current recession in world car sales. Fiat plants were paralyzed Thursday for the second day by union picketing.

Thorn to Visit Japan

Readers

LUXEMBOURG — Foreign Minister Gaston Thorn will visit Japan from Oct. 9 to 12, it was announced Wednesday.



Prime Minister Indira Gandhi meditates during mass prayers on the occasion of the anniversary of Mahatma Gandhi's birth. The services were held Thursday at a shrine on the Yamuna River, where Gandhi was cremated in 1948.

India Honors Mahatma Gandhi With Prayers and Set of Stamps

The Associated Press

NEW DELHI — India on Thursday honored the late independence leader Mahatma Gandhi by releasing a set of Gandhi stamps on the 111th anniversary of his birth.

Government offices, banks and many private offices and stores closed nationwide out of respect to Gandhi, who was assassinated in 1948. Prayer meetings were also held to mark the occasion.

Prime Minister Indira Gandhi, members of her government and the Congress Party attended prayers at the memorial to Gandhi in the capital.

The Times of India criticized such gatherings in an editorial, calling them "an annual ritual." Opposition leaders have often accused Mrs. Gandhi of using the Gandhi name to increase her popularity, although she is not related to Gandhi.

Korean Peasants Give Chun Solid Support

By Mike Tharp

New York Times Service

SU AN BO, South Korea — Chickens were scratching in the bare dirt yard in front of Lee In Sam's home, about 100 miles and a three-hour bus ride southeast of Seoul.

Several children peered around a post on the wooden porch, listening to Mr. Lee and a neighbor talk about the rice crop and other things they have on their minds.

"We have nothing to eat," Mr. Lee said with a shrug. "This is the worst rice crop in years. But we have supreme confidence in the new president." The neighbor smiled at Mr. Lee's statement. "President Chun is a man of the country. He will make sure we get food."

Like most people in North Chungcheong and South Chungcheong Provinces, Mr. Lee and his neighbors are strong supporters of the new president of South Korea, Chun Doo Hwan.

Rapid Rise

Mr. Chun's supporters claim that like President Park Chung Hee, who was assassinated last October, Mr. Chun enjoys wide popularity. A recent trip to a rural community and talks with the residents, through an interpreter whose political views are different from those of Mr. Chun, appear to endorse that view.

President Chun gained the top political position on Sept. 1, less than nine months after he led a coup against rival generals that made him the nation's strongman. He resigned from the army at about the time he became president.

Mr. Chun's rapid rise was severely criticized by Korean dissidents, many Americans and others who contend that his methods were brutal and his aims dictatorial. The critics charge that Mr. Chun had crushed the opposition.

Whatever the merit of the criticisms, they seem quite distant in the towns and hamlets of Korea. The vocal and sometimes violent aspirations for democracy found among students and intellectuals in Seoul and other cities contrast with the simple preoccupations of the villages.

Confucian Figure

To the millions of Koreans who live outside urban areas — more than half the population of 37 million — Mr. Chun is not the tyrannical ogre portrayed in much of the Western press and by Korean activists. He is simply, in Confucian terms, the new father of the Korean family, the village headman, the all-provident king.

"We have a tradition of democracy here," a professor said. "Many rulers and kings of the Yi dynasty were very democratic and benevolent. But their rule was always for the people, not by the people."

people." The dynasty ruled from 1392 to 1910.

Tradition aside, Mr. Chun's positive image in the countryside is assured by his government's complete control of the news media. What the average citizen reads in his newspaper, hears on his radio or watches on his television is tailored to cast the president in the best light — and his opponents in the worst.

Although most residents have electric lights and television, they still do laundry in the many streams that rush through the hills. On the outskirts of villages, trees are strung with shamanistic papers and rice rope tied there by villagers

hoping for a good harvest or the birth of a male child.

According to the Home Affairs Ministry, about 1,500 people live in the Su An Bo area and the average household income last year was \$4,360. Apart from farming, the main source of income is tourism, for the regions is the site of well-known hot sulfur spas.

In the small enclave called Dong Wha Won, one man serves as the school principal, teacher, janitor and gardener. Interrupted as he was watering the flowers around the school, he offered his visitors herb tea and talked about the president.

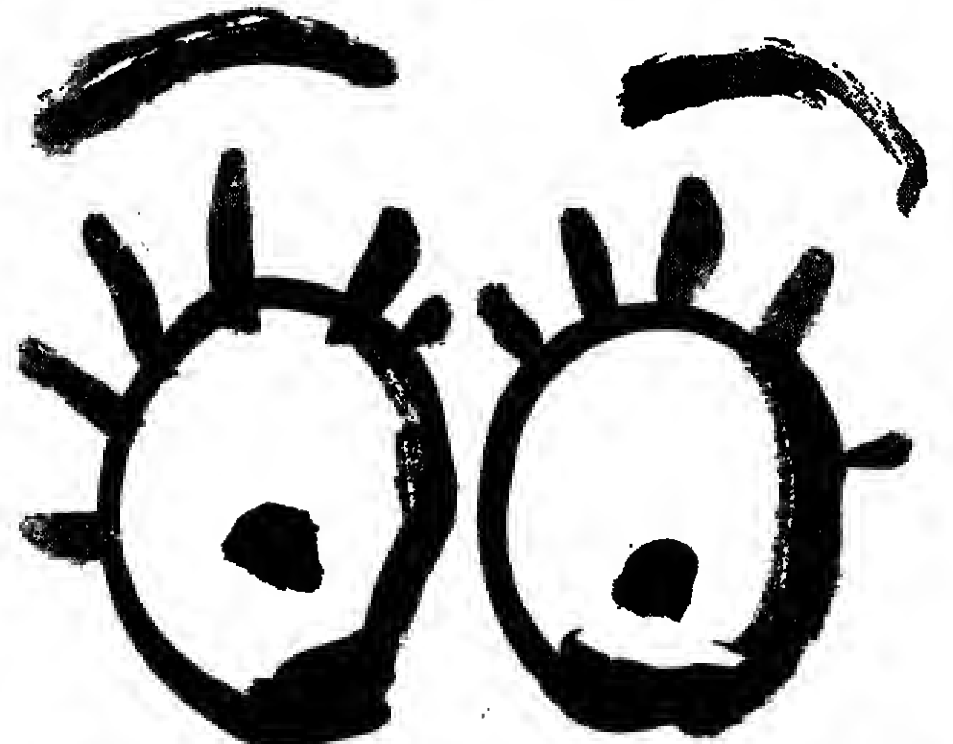
"I am concerned that our educational system is becoming too

Westernized," he said. "I think traditional values, such as loyalty and filial piety, should be emphasized. It seems the new president will do this, so it is good."

Asked whether South Korea was ready for democracy, he said:

"Democracy must suit the Korean character — it must be adapted. American-style democracy is suited to your character because you recognize certain limits or boundaries. But the Korean character does not see those same limits or boundaries."

"The only difference between American democracy and Korean democracy is that our type must have a military way of imposing democratic life."



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German Youth Said Weaned From Revolution

Times Service

West German youth, fed from the revolution of the 1960s, are in mood, according to a survey, to be left alone to deal with the material security and success as the top Germans pursue.

In the poll, Chancellor Schmidt's Social Democrats gained 50 percent of the vote in the coming election.

The survey, conducted by the Emnid research organization, concluded:

The percentage of the under-21s who abstain is expected to be about 20 percent, compared with less than 10 percent of the population as a whole.

Unlike the 1950s, when the Christian Democrats regularly won a larger percentage of the youth vote than that of the general population, young voters today support the Social Democratic-led coalition by a broad majority.

Some like the coalition; others say it is the lesser of two evils.

Winning the youth vote is a leading goal of all the parties since about 6.3 million of the 42 million voters this year will be under 21 years of age. In 1972, West Germany lowered the voting age to 18, and this year a swell of 1960s babies, one of the last baby-booms before the country approached zero population growth in the 1970s, will be eligible to vote.

Obituaries

John Kotelawala, 83, Premier of Sri Lanka

Readers

Sri Lanka — Former Prime Minister Sir John Kotelawala died Thursday after a long illness.

He was one of the colorful personalities of the island's political scene. He served as prime minister from 1956 to 1960.

He was defeated at the polls by the United Front, a coalition of the Sri Lanka Freedom Party and the Lanka Sama Samak Party.

Sir John, a noted lawyer, gave his sprawling estate to the government to be used as a museum.

He was born in 1897 in the village of Kumbura, near Colombo.

He was a member of the Legislative Council of Ceylon from 1947 to 1955.

He was a member of the House of Representatives from 1955 to 1960.

He was a member of the Senate of Ceylon from 1960 to 1965.

He was a member of the House of Representatives from 1965 to 1970.

He was a member of the Senate of Ceylon from 1970 to 1975.

He was a member of the House of Representatives from 1975 to 1980.

He was a member of the Senate of Ceylon from 1980 to 1985.

He was a member of the House of Representatives from 1985 to 1990.

Louis Daquin

PARIS (AP) — French Director Louis Daquin, 72, popular in the 1940s and '50s, died Thursday after a long illness. In 1941, he directed his first film, "Nous les Gosses." Other films included "Madame et le Merle" (1942), "Le Point du Jour" (1948), "Maitre d'Hotel" (1950) and "Bel Ami" (1954).

Frank C. Erwin Jr.

AUSTIN, Texas (UPI) — Frank C. Erwin Jr., 60, controversial head of the University of Texas who led the school's board of regents through the turbulent 1960s and who survived a student vote for his ouster, died in Galveston Wednesday of a heart attack.

Patrick E. Haggerty

DALLAS (UPI) — Patrick E. Haggerty, 66, former chairman and president of Texas Instruments Inc., died Wednesday after a brief illness.

Lina Pagliughi

FORLI, Italy (AP) — Lina Pagliughi, 73, New York-born Italian soprano and widow of tenor Primo Montanari, has died, her family reported Thursday.

Paraguay Breaks Diplomatic Ties With Nicaragua in Somoza Killing

United Press International

ASUNCION, Paraguay — The Foreign Ministry said today that Paraguay has broken relations with Nicaragua, and that it has evidence that the Sandinista government there was involved in the assassination here of Anastasio Somoza, the deposed Nicaraguan president. It did not detail the evidence.

Somoza, 54, took refuge in Paraguay Aug. 19, 1979, about a month after he fled Nicaragua as Sandinista guerrilla forces were about to defeat his National Guard. He was slain Sept. 17 when six guerrillas, using a bazooka and automatic weapons, ambushed him in his car. A business adviser and a chauffeur also were killed.

On Aug. 20, President Alfredo Stroessner's government expelled the two Nicaraguan diplomats in Asuncion. Pastor Cronel, the chief of police investigations, said shortly after the assassination that he believed the two diplomats "were linked to the plot and the people involved in it."

Early Thursday, witnesses said that two policemen were injured in a shooting at Somoza's house, which is occupied by his mistress, Dora Somoza. Official sources and spokesmen had no comment on the reported incident.

Pope Urges Unity Of All Lebanese

The Associated Press

VATICAN CITY — Pope John Paul II on Thursday urged Lebanese of all religious and political persuasions to set aside their differences to make their country an example of unity for the Middle East and the entire world.

The pontiff made his remarks at a meeting with 15 parliamentarians from Lebanon, both Christians and Muslims, and from various political parties.

In a brief address in French, the pope asked that "all the religious and ethnic communities, starting with their leaders, work together to rebuild the country."

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CHEMICAL INDUSTRY OF INDIA

Poverty, Other Obstacles Entered in Constructing Economic Infrastructure

By A.K. Banerjee

From the standpoint of development, the World Bank has relegated India to the "fourth" world while acclaiming a growth of Singapore, Hong Kong, and Japan. But this assessment ignores the problems in raising the living standards of the 1.2 or 1.3 billion people who live in India and its immense poverty, and its consequent dependence for the products of chemical supplies, and its famine-prone areas which are unable to stand on its own infrastructure built up over decades.

Chemical industry and the role of chemicals has to be seen. Unlike the chemical industry in other countries, it is not a product mix of only one product, but is one of the great giants of the world's economy — making products ranging from fertilizers to plastics, from ordinary raw materials like coal, sulfur, air, water and petroleum, to the products of the chemical industry, which are essential to the operation of other industries.

If all these developments were to be taken into account, the industry that has been credited with the building of modern nations and engineers and technocrats have national stature, and can build sophisticated chemical plants.

In the 20th century into a veritable laboratory. It makes it difficult to define the industry with scientific accuracy, for its expansion has been the result of many different things, depending on the needs of the nation.

The chemicals in this category are the major group of products: chemicals, such as acids, alkalies, and inorganic chemicals; products to be used as raw materials for the manufacture of man-made fibers, plastics, animal and vegetable oils, dry goods, and other chemical products to be used for consumption, such as drugs, cosmetics, or to be used as materials for other industries, such as paints, fertilizers, explosives.

Technology a Secret
The export of Indian heavy chemicals was laid down in the last 40 years. It was a secret zealously guarded by the government.

problems are great, but so are the ultimate rewards. For instance, in these 40 years, Indian engineers and technocrats have grown to international stature, and established full capability to plan, design, engineer, fabricate, erect and operate to international standards a variety of sophisticated chemical plants.

World War II was a major obstacle in reaching this stature. It not only caused innumerable difficulties and delays in obtaining plant from abroad, but also deprived Tata Chemicals of the foreign expertise it badly needed at the time. Tata found that neither the quantity nor the quality of the limestone resources in used as a motive power, in the case of caustic soda it forms the main raw material, and so its production was hampered by inadequate availability of power, a serious problem in India. There are no imports of caustic soda for the present.

Another important chemical in this group is sulfuric acid, produced by 73 units in the country with a total annual installed capacity of 3,200,000 tons. Most of the units are based on the use of imported sulfur. This is an older industry, which paved the way for the consolidation of the heavy chemical industry.

When Tata did begin to produce small quantities of soda ash — the most important heavy chemical in the alkali group, the consumption of which, like steel and power, is considered a yardstick of industrial development — the markets were flooded by imports.

All these and other problems were reflected in the dismal financial results that the company posted for the first two decades, when no dividend was paid on equity shares for 17 consecutive years, and which prompted an eminent foreign expert to advise that the company was in the wrong place, doing the wrong thing. He was ultimately proved wrong on both counts, for this prolonged stagnation was followed by increasing profitability for 15 consecutive years.

In Mithapur, soda ash is produced by the Solvay process, in which salt is treated with ammonia and carbon dioxide to form ammonium chloride and sodium bicarbonate. The sodium bicarbonate is converted by heat into soda ash (sodium carbonate). Carbon dioxide lost during the reaction, is recovered and used over again in the first step of the operation. The ammonium chloride is treated with lime, yielding ammonia, which is circulated back for reuse, and calcium chloride.

33 Caustic Soda Plants
Next to soda ash, the most important heavy chemical in the alkali group is caustic soda, which is not as complicated to manufacture as soda ash nor so capital-intensive in its plant costs. That is why there are 33 caustic soda plants in India but only four soda ash plants.

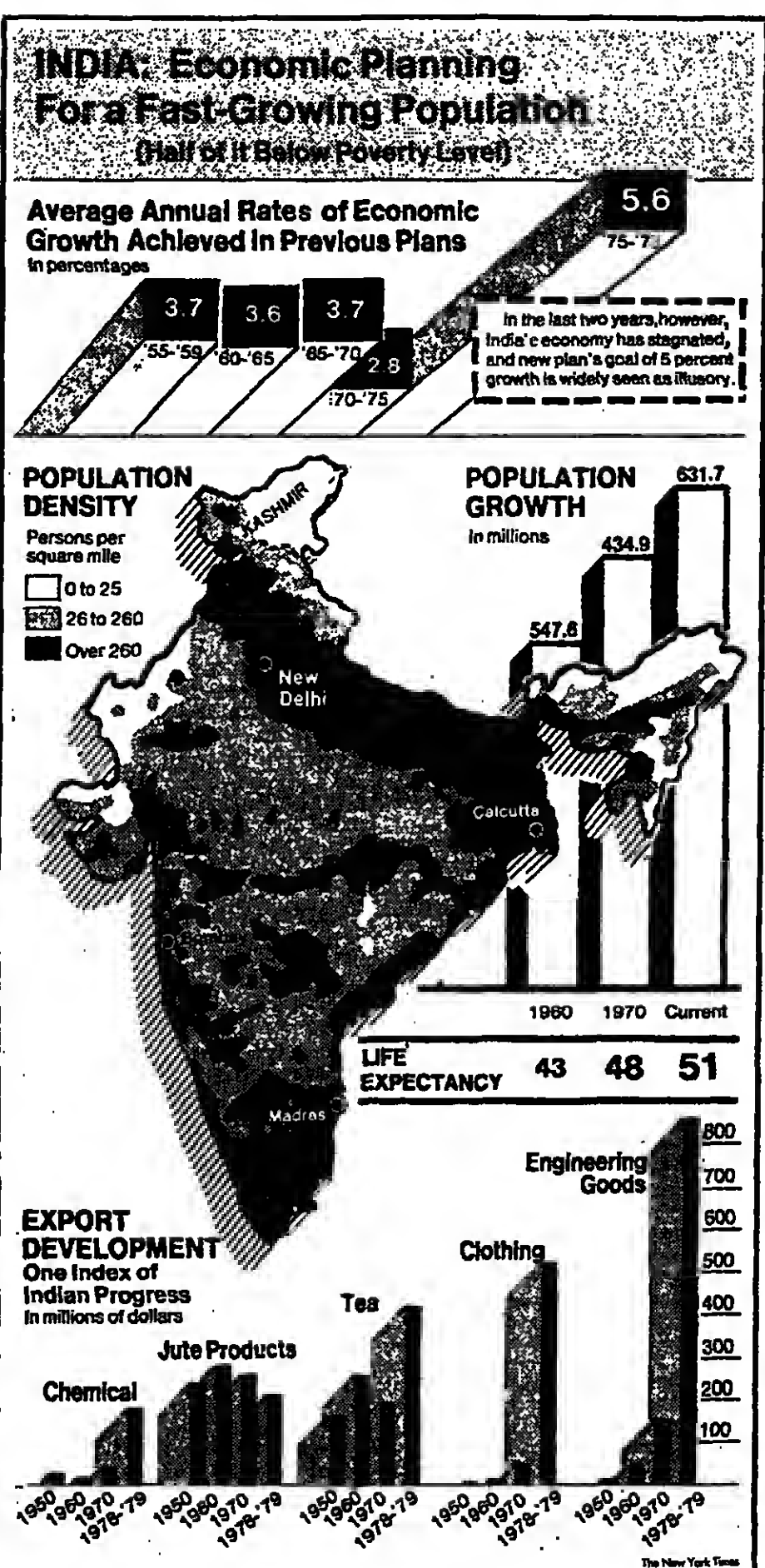
Just as the development of the Solvay process for making alkali ranks as an important chemical landmark, so does the commercial application of electrolysis. Caustic soda (sodium hydroxide), chloride and hydrogen are produced by electrolyzing salt.

Three soda ash factories (based on the standard Solvay process) are situated in the Saurashtra region, where the raw materials of acceptable grade, i.e., salt and limestone, are available. The fourth unit (based on a modified process) is located at Banarasi, in Uttar Pradesh, with a daily installed capacity of 100 tons, against 1,000 tons by Tata Chemicals.

The annual gross all-India production of soda ash multiplied 10 times in 25 years, from 38,000 tons in 1953 to 380,000 tons in 1978, in which the share of Tata Chemicals was more than half. The country has managed without any imports of soda ash in the last few years.

The total annual all-India production of caustic soda in 1978 came to 550,000 tons, against only 23,000 tons 25 years earlier. While in most of the other industries, electricity is used as a motive power, in the case of caustic soda it forms the main raw material, and so its production was hampered by inadequate availability of power, a serious problem in India. There are no imports of caustic soda for the present.

South Korea became the biggest exporter of medicinal plants in 1968, cutting into India's export share in the process. Where once India had annual exports of isabgol barks to the United States of \$22.5 million, those exports dropped by last year to \$12.5 million.



Indian Economy: Free Enterprise Mixed With State-Run Companies

By Michael T. Kaufman

NEW DELHI (NYT) — When the bare framework of India's pending new five-year economic plan was made public recently, it touched off the traditional complaint from some economists that, as usual, the exercise involved more wishing than planning.

Subramanya Bhoothalingam, a former member of the Planning Commission and a respected economist, wrote that the draft document conveyed "the strong impression that once again we are setting ourselves the kind of targets that we have signally failed to hit before."

Other economists complained that in many respects the draft document reflected short-term political objectives rather than realistic development priorities. Many also charged that what the synopsis of the plan listed as new departures were really old programs with new labels.

And yet there was virtually no criticism of the planning process itself, which has created India's idiosyncratic economy, where bureaucratic first enterprise coexists with often sluggish state-run industries.

Since its creation in 1950, the Planning Commission has been authorized to formulate schedules "for the most effective and balanced utilization of the country's resources." It was also charged with making regular assessments of economic develop-

ment. When the government finally decided on its choice of consultants for the four ammonia plants in late August, it named Haldor Topsoe of Denmark and Pullman Kellogg of the United States, instead of the company to which the previous caretaker government of Prime Minister Charan Singh had promised the consultancy for all four plants, C. Braun of Alhambra, Calif.

Braun actually concluded and initiated contracts late last year, with Rashtriya Chemicals and Fertilizers, the company putting up two of the units at Thal-Vaishet in the state of Maharashtra. The contract was subject to final government approval, but this was deferred by the caretaker government.

When Mrs. Gandhi's government took power in January, it ordered a review of all major contracts being negotiated by the previous government. The recommendations of two ex-

pert committees in favor of Braun were overruled by a special Cabinet subcommittee. Competition for the contracts was especially stiff because of six more ammonia plants for which the government provided in the sixth plan, all based on offshore gas.

Billion-Dollar Sector Is Poised on the Edge Of Uncertain Future

By Pearl Marshall

NEW DELHI — India's chemical industry, with a current value output of about \$6.9 billion, was not only one of the country's most vital industries during the 1960s and early 1970s, but also the fastest-growing.

The growth rates of that period — reaching as high as 18 percent — have become a thing of the past. The tempo slowed to 10.8 percent in 1976-77 and by 1979-80 was at 7.7, compared to a 7.4-percent rate for all Indian industries during the same period.

The industry appears "to be poised on a knife-edge of uncertainty over the questions of raw material costs, selling prices and demand," said R.J. Rathi, president of the Indian Chemical Manufacturers Association. "As a result, much lower rates of growth are inevitable in the coming years."

Within the chemical industry, the fertilizer, plastics and pharmaceutical sectors show a negative growth rate of late. Output of dyestuffs remains almost unchanged.

Maintenance of a reasonable growth rate for the entire industry is credited to increased production of inorganic chemicals, insecticides, pesticides and miscellaneous chemicals.

The situation reflects the difficulties faced by the Indian economy. Last year's drought — the worst in more than 60 years — brought power cuts through much of the country because of its effect on hydroelectric power capacity. There have been a variety of infrastructural failures, including tremendous transport bottlenecks and poor performance of thermal-power plants, with a 46-percent overall operating rate instead of the planned 55 percent.

It is felt that there has been no strong leadership attempt to solve such weaknesses, to motivate and direct public-sector enterprises and make the necessary decisions on industrial plants to meet future industrial growth.

Prime Minister Indira Gandhi's government, slowly picking up the threads left loose by the Janata government, only recently announced its budget for the sixth five-year plan. That plan was to have been adopted two years ago, beginning from 1978-83. Because of delays, it will now run from 1980-85. Money has just begun to flow for ambitious plans that have been gathering dust on the shelf for the last two years.

Petrochemical Projects
For instance, there have been long delays in finalizing petrochemical projects based on gas from offshore finds such as Bombay High, about 120 miles off India's west coast.

Another delay involved approving consultants for the four, 1,350-ton-per-day ammonia plants for the fertilizer industry. According to 1978 estimates, each unit should have cost about \$325 million. Reports now suggest a doubling of costs by the time the projects are completed. This delay has to be balanced against continued massive imports of fertilizers. India's domestic production of nitrogenous fertilizer last year was 2.2-million metric tons and its imports 1.3-million metric tons. Recent estimates show India will still be importing up to 31 percent of its nitrogenous fertilizer needs by 1984-85.

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pert committees in favor of Braun were overruled by a special Cabinet subcommittee. Competition for the contracts was especially stiff because of six more ammonia plants for which the government provided in the sixth plan, all based on offshore gas.

Haldor Topsoe will now act as consultant for Thal-Vaishet and Pullman Kellogg for the two units at Hazira in the state of Gujarat. Snam Progetti of Italy was earlier awarded the fertilizer plants; four urea units at Hazira and three at Thal-Vaishet.

The government's turnaround illustrated one of the pitfalls facing foreign companies interested in collaborating with the Indian chemical industry. Contracts may not necessarily be binding even when signed.

But then no one denies competition between foreign firms on the Indian industrial scene has not always been tough. One Western chemical industry source described a session where all the secret tenders were read out loudly enough for participating bidders to hear. Everyone then returned home to prepare new bids.

"They even use this method to bid down their own indigenous public-sector companies," the source added.

Although fertilizer is the biggest and most

exciting potential growth area in the chemical industry — because of the need to utilize offshore gas and also boost Indian fertilizer consumption, currently among the lowest in the world — the bulk drugs industry is another potential high growth sector.

Per capita consumption of prescription drugs is increasing rapidly as Western medical practices reach more and more people.

Production of bulk drugs is about \$285 million, and this must increase to \$620 million in 1982-83 to meet needs. This does not include estimated imports of \$195 million by that date.

Petrochemicals Sector
The petrochemicals sector is one of the slowest growth areas in the chemical industry, with end products, such as highly refined plastics, still classified as luxury goods.

Demand has been deliberately dampened by government price manipulations. Last year, while the subsidy on naphtha for fertilizer production remained unchanged, the entire burden of increased oil prices was placed squarely on petrochemicals.

The price of naphtha for petrochemicals was increased from \$131 to \$322 per ton, pushing up its price to more than four times what the fertilizer industry had been paying.

The Indian Chemical Manufacturers Association suggested that the price of naphtha for petrochemicals be increased by only about \$97.50 per ton to enable the industry to maintain viable operations. It pointed out that the deficit could be made up by making a comparatively small increase in the price of naphtha for the fertilizer industry and/or by increasing the price of furnace oil.

"Our suggestion was not heeded," said ICMA President Rathi. "The result is that prices of many of the products have increased very substantially in the past year and that production has gone down."

Plastics use, particularly in the packaging industry, has yet to get off the ground.

(Continued on Page 10S)

Export Potential Seen for Medicinal Plants From Himalayan 'Treasure House'

By Aruna Mukerji

The export of medicinal plants to have tremendous growth potential. The Himalayan region is a treasure house for such plants, and the living in Western countries to use them.

India was once a major supplier of medicinal plants, its position has deteriorated, with exports dropping from 10 million in 1976-77 to \$18.75 million. According to B.P. Srivastava, in-charge of forests, there are no exports of medicinal plants to observe quality control and standards, and a short-sighted export major earners of foreign-exchange medicinal plants are isabgol

(payileum bask), senna leaves and vinca rosea. Western Europe, the United States and Japan are the main importers.

Developing countries have generally been the leading suppliers of medicinal plants. They have been the sole producers and exporters of a number of plants that are not found elsewhere — cinchona, ipecacuanha, and rauwolfia species, for example. Other medicinal plants, such as camomile and licorice, also occur elsewhere, but because of manpower and production-cost advantages, developing countries are increasing their role as suppliers.

South Korea became the biggest exporter of medicinal plants in 1968, cutting into India's export share in the process. Where once India had annual exports of isabgol barks to the United States of \$22.5 million, those exports dropped by last year to \$12.5 million.

Some specialists have attributed cancer-fighting qualities to the leaves of vinca rosea, commonly known as the graveyard plant. Papain, taken from the papaya tree, is in great demand in many developed countries, where it is used mainly to aid in digestion of protein and to tenderize meat.

Papaya trees grow in abundance in the western-central Indian state of Maharashtra. Similarly, senna leaves, which grow throughout the western state of Gujarat, are much in demand in West Germany. The oil extracted from lemon grass is the main raw material used in the manufacture of vitamin A. This grass, which grows in many parts of the southwestern state of Kerala, is greatly in demand in the Soviet Union.

The cultivation of aromatic, medicinal and oil-bearing plants may prove a gold mine for

the poor farmer. Practical demonstrations have established that even in relatively infertile areas the farmer can earn a net profit of \$450 to \$820 per hectare (2.47 acres) if he cultivates java citronella or Japanese mint. Lemon grass, citronella and turpentine oils — used in the final perfume blends in the manufacture of soap — are being cultivated on a limited scale in India, but could be cultivated on a much larger basis.

The Indian government, through national and regional laboratories, has been encouraging farmers to cultivate lemon grass and citronella grass in certain areas. While lemon grass is grown mainly in Kerala, citronella — which is also used in insect repellents — is grown in the wastelands of Assamese tea estates and in some parts of Uttar Pradesh, in northern India.

The Regional Research Laboratory at Jorhat, in Assam, has been working on the research and development aspects of medicinal and aromatic plants that could be cultivated in the northeastern region, and has extended the cultivation of citronella in the area.

A large area in Uttar Pradesh — varying from outright wasteland to cultivable fallow — offers considerable potential for growing medicinal plants. Uttar Pradesh follows only the states of Jammu and Kashmir in medicinal plant production.

Gujarati Industrial Investment signed an agreement in April, 1979, with Indian Drugs and Pharmaceuticals for a joint venture to manufacture pharmaceutical formulations from isabgol and other basic drugs and chemicals.

The project will cost about \$1.24 million and will manufacture 800 tons per year of various pharmaceutical products. India exports more than \$20 million worth of isabgol a year — 75 to 80 percent of it in raw form to countries such as the United States, Britain, West Germany and France. Gujarati produces about 70 percent of the Indian total and markets 85 to 95 percent of it.

In August, 1979, a Japanese pharmaceutical-industry delegation visited India and offered to set up drug plants based on the use of raw materials. Shozo Takeda, the leader of the team, said Japan had neither the space nor the raw material to set up new units, and was interested in joint ventures with India to exploit medicinal plants. He said the Japanese drug industry could finance the venture.



Oil Sector Is Making Major Effort to Meet Increasing Demand

By K.C. Khanna

BOMBAY — The Indian oil industry is making a strong effort to meet burgeoning demand.

Though small by international standards and still heavily dependent on imports for both equipment and crude petroleum, it has nevertheless emerged as the mainstay of the country's balance of payments. Without its contribution, India's annual trade deficit would mount fourfold to a staggering \$6 billion or more.

The main stumbling block to more rapid development is the shortage of crude. Ironically, few countries in the world discovered mineral oil as early as India did — in 1866. But progress until very recently was at a snail's pace.

Burmah Oil

By 1950, British-owned Burmah Oil was producing and processing just 500,000 tons of crude a year in its concession areas in the eastern state of Assam, near the border with Burma. Governmental pressure and a few fortuitous strikes enabled it to raise output to 3 million tons by the early 1960s. It then entered into a 50-50 partnership with the government and increased exploration — to no avail.

Meanwhile, in the mid-1950s the government moved into the oil industry in a big way. It founded the giant, wholly state-owned Oil and Natural Gas Commission for exploration and production of crude, and an even bigger firm — Indian Oil — for refining, transportation and distribution of products.

By the 1970s, three major refineries, set up in the early years of independence by Burmah-Shell, Stanvac and Calix, were nationalized and the foreign owners paid off.

Today the country produces 13 million tons of crude oil a year and some 27 million tons of refined products. Even so, it is nowhere near self-sufficiency. It will have to import nearly 15-million tons of crude and more than 4-million tons of products at an estimated cost of some \$6.2 billion, or nearly 80 percent of its global export earnings, in 1980.

And yet it is and will continue to

be desperately short of diesel and kerosene — the former for transport and tractors and the latter for cooking and lighting mud huts in the villages. Spurred by oil price hikes by members of the Organization of Petroleum Exporting Countries, the crunch has come.

Apart from price, the Indian government is worried about the reliability of supply sources. Imports from Iran fell last year and the government had to buy small quantities of high-priced oil on the spot market. A few tanker loads were imported from as far away as Libya.

For the coming year, Iran has promised to step up exports from 3 million to 5 million tons, but the reliability of that source — particularly in view of the Iranian-Iraqi conflict — remains in doubt. The Soviet Union may be prepared to provide more oil but is discreetly asking for wheat in return — a demand New Delhi is reluctant to concede in view of the crippling drought last year.

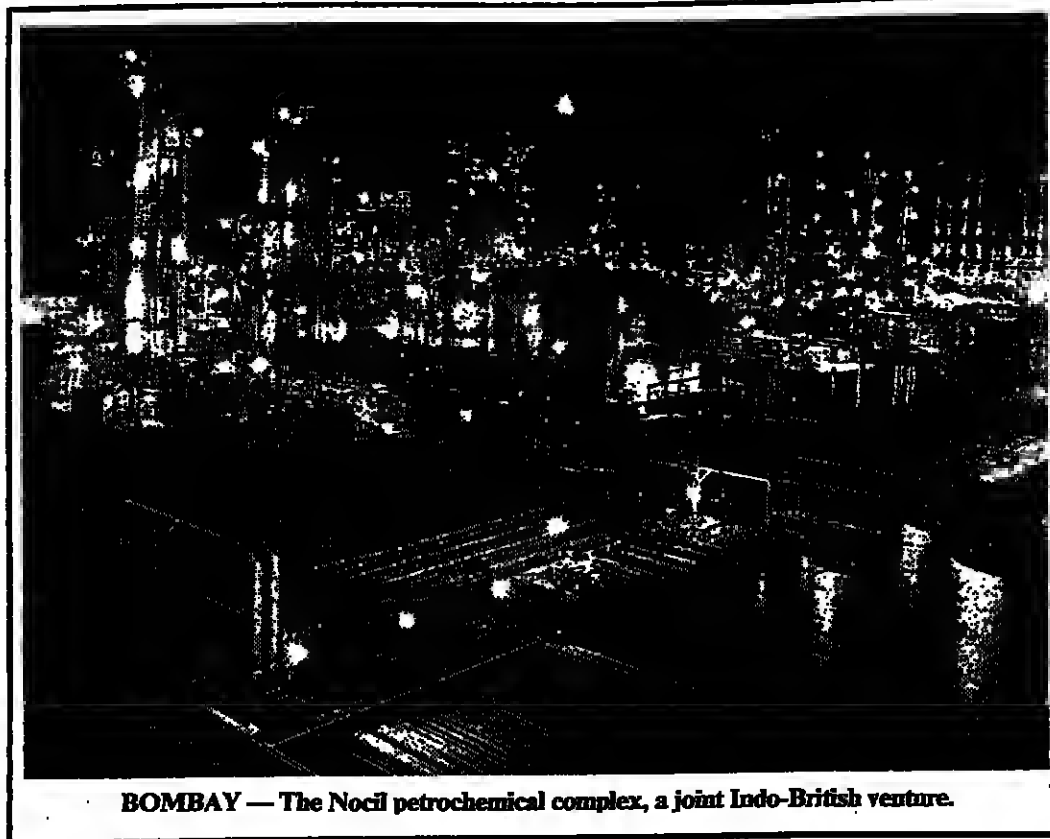
Oil and Gas Concession

Though the Oil and Natural Gas Commission concession extends to the entire country — barring a small area reserved for Oil India, the Burmah Oil-government partnership in Assam — it has been hamstrung by poor equipment, weak management, disturbed industrial relations and bad luck.

Nearly 25 years of drilling in a dozen locations throughout the country and in a small concession obtained in Iraq have enabled it to produce just about 5 million tons of crude a year onshore — nearly 1.5 million tons not far from Oil India's fields in Assam and some 3.5 million tons in the western state of Gujarat.

But the outlook offshore is altogether more promising. The ONGC established a fairly good field called Bombay High about 120 miles (200 kilometers) off the west coast in 1972; it performed the remarkable feat of bringing the first barrel of oil ashore within two years of the discovery.

Brown and Root, the U.S. large concern, laid a 30-inch oil pipeline and 26-inch gas pipeline



BOMBAY — The Nocl petrochemical complex, a joint Indo-British venture.

under the sea in record time. Bombay High adds a valuable 5 million tons a year to the country's oil pool.

The potential, however, is much greater. The ONGC has struck oil in three other neighboring structures — North Bassin, B-38 and R-12 — which can add at least 4 million tons annually to offshore production. The ONGC has also established four major gas fields in the vicinity, with a potential of producing 20 million cubic meters of gas a day — equal, in energy terms, to 7 million tons of oil a year.

Terminal Facilities

Bombay High itself can yield 12 million tons of oil a year and 3 million cubic meters of associated gas per day, when fully developed, until the end of the century. The ONGC has fairly elaborate plans for sinking the requisite production wells, installing processing platforms and building a communications network in the sea with the help of U.S., British and Japanese interests.

Terminal facilities in the island of Nhava, near Bombay, for logistical support to the offshore operations, as well as the downstream

processing of oil and gas, are planned by 1982-83 at an aggregate cost of \$12 billion.

But doctrinal disputes, political uncertainties and red tape have slowed implementation of the whole program. The ONGC is at least a year behind schedule.

For many months, the conservationist lobby in India's planning commission held sway; it contended that it would be better to import relatively low-priced oil now than to use up the country's limited reserves. But subsequent oil price hikes by OPEC have wrecked that argument and the advocates of maintaining a "strategic reserve in the ground" have beaten a tactical retreat.

A good deal of time has also been wasted in striking the right balance between the conflicting demands for speed and self-reliance; delays in handing out orders to foreign firms due to the government's desire to develop indigenous capabilities have been compounded by fears of corruption, payoff and scandal.

Indeed, for nearly a year the top men in the controlling Ministry of Petroleum and Chemicals as well as in the ONGC were under a cloud; two very senior officials were eventually let go.

Though the country has no difficulty in refining all the oil it can produce, its plans for optimum use of the associated and free gas — a premium resource — are in a shambles. Much of the associated gas already available from Bombay High is wastefully burnt in industrial hearths; about one-third of it is actually flared in the sea.

The story in the Assam oilfields, which have been in production for a decade or more, is no different. Programs for building gas-based fertilizer plants and petrochemical complexes, have slipped badly.

Funds for such profitable enterprises are actually fairly easy to find; despite the low price of about \$5.25 per barrel paid to it, the ONGC, for example, makes a tidy profit. But as in the case of rapid development of Bombay High, the production of petro-based chemicals is hamstrung by management problems, not a shortage of money.

Even if all goes well, India can hope to meet only two-thirds of its requirements of crude petroleum by 1983, compared to less than half at present, because demand is likely to rise to 40 million tons annually during the next three years.

Plastics Industry Is Recovering From Effects of Oil-Price Rise

BOMBAY — India's fledgling plastics industry is just beginning to recover from the body blow it had suffered from the quirk of government pricing policies in August last year. To neutralize the effects of rising oil prices, Indian authorities selectively shuffled the controlled prices of various petroleum products. In the process, the basic price of naphtha — used in producing petrochemicals — shot up by 145 percent.

Combined with the prevailing credit squeeze and the widespread power cuts due to inadequate generating capacity, the move virtually crippled most of the 5,000 plastic-manufacturing enterprises; closures and layoffs were widespread.

The higher prices of naphtha triggered a chain reaction: Prices of intermediate products rose in consequence, though on a lower scale. The price of PVC resins and compounds, which are widely used in India in making pipes for irrigation and rural water supply, cheap footwear, and packaging materials, rose by 36 percent. The costs of low-density polyethylene, high-density polyethylene, polypropylene and polystyrene increased even more steeply, from 45 to 60 percent.

Processors and fabricators protested loudly that they were being forced to keep almost two-thirds of their installed capacity idle, but they were ignored for almost four months. In December, excise duties on intermediate products were cut by about 9 percent, providing some relief. Demand, production and exports have again begun to look up. But output is still far from optimum levels.

A late starter in the field, India was producing just about 100,000 tons of plastic goods annually by 1970. Since then progress has been at a snail's pace. In a decade, the output has risen by 50 percent, though the total figure remains unimpressive. Of the 5,000 conversion units, nearly 80 percent are in the small-scale sector — each employing 10 permanent workers or less — and most of them are concentrated in the four metropolitan cities: Bombay, Delhi, Calcutta and Madras.

The value of production is estimated at \$200 million. The capital-output ratio, due to gross underuse of capacity, is high: 2-to-1. Exports, mostly to the Middle East,

fluctuate widely. But for the last two or three years they have stagnated at around \$60 million annually.

During the early 1970s, the industry had launched a high-pressure publicity campaign with the dual aim of seeding the market and gaining both acceptance and funds for investment from the government. It sought to cash in on the rural orientation of New Delhi's policies, stressing that the opportunities for harnessing plastics and synthetics to the needs of rural development were almost limitless.

It was able to present a strong case.

Some 10-million bullock carts are still waiting to be fitted with pneumatic tires of synthetic rubber. Hundreds of miles of canals must be lined with plastic sheets to prevent seepage. The use of farm hoses, already popular in states such as Punjab and Haryana where the so-called Green Revolution has transformed the agricultural sector, could be extended to the rest of the country to prevent the loss of as much as 70 percent of the pumped water that evaporates in India's heat.

Plastic-lined mud bins can be erected by the millions in villages to save grain from rodents and pests at about one-tenth of the cost of comparable bins of brick, cement or steel. The industry also produced figures to show it would be cheaper to distribute milk in disposable plastic bags than in reusable glass bottles.

The campaign enjoyed some success. The capacity for thermoplastics and synthetics production was nearly doubled with the completion of a giant, state-owned,

petrochemical complex, at of \$500 million at Baroda, 200 miles west of Bombay.

Indeed, a working group pointed by the government just recommended that investing facilities should be doubled within the next decade. The availability of quantity of natural gas — 8 million cubic meters a day — the proven offshore reserves in Bombay.

Approximately 400,000 ethylene — critical in the nature of petrochemicals — 140,000 tons of propylene derived from the Bombay refinery every year. It will also yield quantities of benzene and naphthalene.

The working group figures an investment of about \$2.5 billion would be required to build necessary primary plants and facilities by 1988. During that period, a number of medium-scale processors are expected to chip in with an investment of about the same amount. There is the problem, however, required can be squeezed out of the government budget. External aid tapped, but irreducible a funds in rupees will still be needed. Nor is the government clear about the price policies it may pursue; whole range of basic raw materials and final products. And until they know what stand in this regard, private funds cannot be expected. That looks so bright — on

INTERNATIONAL Herald Tribune

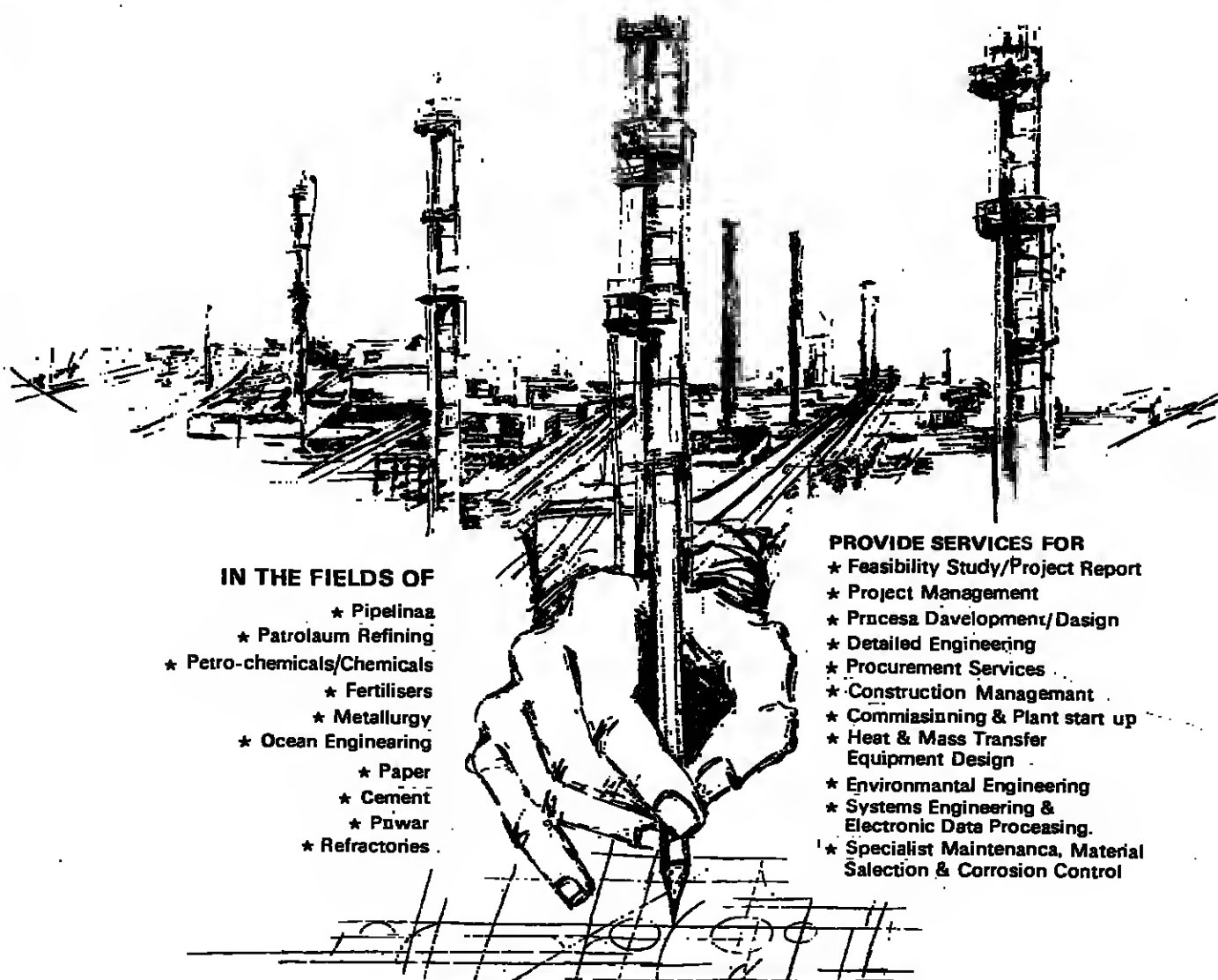
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Industry Is Reeling From Lack of Oil-Pore Fertilizer Needed to Boost Farms' Yield

By V.N. Narayanan

HI — Looking hopefully at the vital rains has become a daily ritual for the Indian farmer — the major land is still rain-fed — but yield today is in man's hands, as results of fertilizers have shown 5 years. That India needs more fertilizer is a question that has been asked for years — and how to get it.

Planning Commission estimates that the population, about 550 million, will reach 725 million by 1985. A minimum annual food production of 160 million tons — a 30-million-ton increase from the 1978-79 level — without food imports. To this must be added the need for fertilizers for the production of agriculture-based industries such as jute, tea, rubber, cotton and so on to sustain the increasing economy.

Normal weather conditions in the projected production of 160 million tons of food grain in 1985. The government is aware of that and provides a stimulus for greater use of fertilizers by attempting to hold prices down. This has been done at great cost to the treasury by way of subsidies, as the producers also demand a fair return. Fertilizer manufacturers are assured of a 12-percent net return on their products.

It appears certain that fertilizer consumption will continue to rise, despite the fact that prices have gone up steadily in the past five years and appear likely to rise further.

The industry, both in public and private sectors, appears unprepared to handle the rapid increases in consumption. The country apparently does not have adequate capacity to meet the needs, but plants producing nitrogen and phosphatic fertilizers average a production of only 75 percent of capacity.

At the end of 1978-79, the total capacity of the plants in operation came to 3.26 million tons of nitrogen and 1.08 million tons of phosphate. India does not have an indigenous source of potassic fertilizers; the entire requirement is imported. The capacity of projects under construction totals 2 million tons of nitrogen and 994,000 tons of phosphate.

75% of Capacity

The capacity available by the beginning of 1984-85 will be 6.44-million tons of nitrogen, compared to a projected demand that year of 5.90-million tons, and 1.80 million tons of phosphate compared to a projected demand of 1.91 million tons. But the record of Indian fertilizer plants does not give reason to believe that average capacity use will exceed 75 percent. There thus will likely be a gap even after 1987, which will have to be made good by imports of both nitrogenous and phosphatic fertilizers.

By 1987-88, when the demand for nitrogen is expected to reach 7 million tons, a capacity of 8.1 million tons of nitrogen is expected to have been built up, assuming that three of the six planned gas-based plants are operating by then. The phosphate capacity then would be 2.81 million tons, compared to an expected demand that year of 2.5 million tons.

A number of constraints affect the functioning of fertilizer plants. Obsolete equipment bedevils the older plants, while the new ones suffer from a variety of teething troubles. But the biggest problem has been the availability of power at the proper voltage.

The power famine in India last year crippled several plants. Supplies of coal in the first few months of the year were meager and unpredictable. The commissioning of fuel-oil-based plants at Panipat and Bhatinda had to be postponed for months, resulting in an increase in the capital cost of each plant by nearly \$2.6 million per month. And the facilities needed to move finished products from the plants were not always available.



A farmer sells his peppers in a market in Old Delhi. Agricultural production in India has been increased sharply in recent years by the rising use of chemical fertilizers.

Funds for Housing Needs Could Stir Paint Industry

By S. Sapru

BANGALORE — In 1979, the Reserve Bank of India directed all commercial banks in the country to provide funds up to a ceiling of \$93 million for the year for housing. There is a shortage of 43 million houses in India — 30 million in rural areas and 13 million in the urban centers.

But this is slight compared to the total needs of housing in the country — which by an official estimate is going to need a colossal investment of \$12.5 billion.

But what has this got to do with paints? Everything practically, for over 60 percent of the paints manufactured in India are meant for decorative use and the other 40 percent for industrial use. Thus there is a direct bearing between the demand and finance for housing and the rising demand for paints in the country.

According to a paint industry executive, the total demand for paints would be in the neighborhood of about \$275 million a year and taking the population at 660 million, the per capita consumption would be very low. It would mean that not many persons are using paints.

In India, the paint industry, though quite old, is today divided into two broad sectors — the organized sector with medium-sized factories either with foreign collaboration and some wholly Indian owned, and the other the small-scale sector that is still in the process of trying to organize itself.

Organized Sector

In the organized sector, 16 units are engaged in the manufacture of paints with an annual installed capacity of 1.17 million tons. Further capacity of 2,235 tons per annum has been covered under letters of intent. In the last three years, the production has gone up from 66,720 tons in 1975-76 to 78,000 in 1977-78, with an overall 70 percent utilization of installed capacity.

During the same period import of finished paints came down from 376 tons in 1974-75 to 206 tons in 1976-77. Till 1974-75, import of finished paints and varnishes was allowed for export production. However, since 1975-76 imports have been banned.

In the last few years there has been an increase in construction activity, which has already been reflected in better working of some of the big organized units.

A recent survey of nine of the bigger units showed sales undergoing a rise of 10.5 percent in one year from 1976-77 to 1977-78. In some of the units the progress has been nothing short of spectacular. Garware Paints Limited (formerly Blundell Eosnate Ltd.) achieved in 1978-79 a growth rate of 33 percent.

Since the changeover in management (a requirement under Indian law of converting equity holdings to 100 percent Indian), the company has not only done well in sales in the domestic market but has also won export orders to the Soviet Union and the Middle East.

Due to the need for better quality, durability and resistance against varying conditions of temperature and moisture, production of paints is switching more and more to use of synthetic resins rather than conventional quick-drying oils and resins. Many of the larger units have established their own plants for alkyd resins to meet their own specific demands.

The gross return on sales in most of the organized medium sized units was 5.6 percent in 1977-78 for the smallest unit in the survey and 13.5 percent for the largest.

Expenses on freight account for nearly 30 percent in the total distribution expenses and this along with discounts, commissions, advertising and publicity takes a big chunk of the amount involved. Each company has evolved its own distinct marketing strategy in a highly competitive market. The growth of a unit is decided by the success of marketing efforts.

About twenty years ago, the paint industry in India was considered to be a preserve of the multinationals, but with the coming in of the Foreign Exchange Reserve Act (FERA) and the Monopolies and Restrictive Trade Practices Act (MRTP), the ownership pattern has undergone a change.

Small units have become medium-sized in sales and turnover and investment and medium-sized ones are going into the big size group.

Though the progress of the paint industry has been very good and it is poised for reaping the boom, the industry has not been moving fast enough in view of the technological expertise available, some observers say. The bigger units have few innovations to offer and the only expansion is increasing the number of brands and the quantity sold.

The number and variety of raw materials consumed by the industry are large. A major problem is their availability which, in turn, is affected by the technological substitution and relative pricing. Continued dependence on imports for raw materials such as rutile grade titanium dioxide is ample evidence that the development of raw materials has not been keeping pace with the growth of the industry.

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Incentive



Free Enterprise Is Mixed With State-Run Companies

(Continued from Page 7S)

ment, pointing out the factors retarding progress. The commission includes three technical experts, appointed by the prime minister, who command the day-to-day activities of the commissions. The prime minister, the minister of planning and the minister of finance also serve on the commission. Any of its plans must be approved by the National Development Council, a body that includes the commission, the Cabinet members and the chief ministers, or governors, of all the states. With the endorsement of this group, the plan is then sent to Parliament for final approval.

For 30 years the commission and the National Development Council have tried to chart the course of the nation's growth. They have done this by mobilizing resources through taxation and credits and by channeling these as investments into specific projects. "Actually, on paper, the Planning Commission is a very powerful body," said Raj Krishna, a leading economist and a former commission member. "No project in any state can develop without commission approval," he said. "But the helplessness comes in after the money has been allocated, since there is virtually no monitoring and the ensuing waste is huge. I have seen fishery projects without fish, veterinary programs with no medicines or animals and automotive training schemes with neither tools nor motors. All, of course, had salaried personnel."

Vision of Nehru

As do many of India's institutions, the commission reflects the vision of Jawaharlal Nehru. "In his views on planning, Nehru was entirely inspired by the Russian planning system filtered in with his Fabian views," said Mr. Krishna, a University of Chicago graduate.

At the outset, just after independence, energetic infusions of investments did result in high-percentage increases in several sectors of the industrial economy. Steel plants were built and the basis of nationalized heavy industries was established for what Nehru called "the commanding heights" of the economy. Also at this time, four major objectives that have dominated all of India's plans and economic thinking were firmly established.

These are a high economic growth rate, the building of national self-reliance, full employment and a reduction of the social disparities between rich and poor. A major benefit of the planning process is that it forces a review of achievements and failures.

There has been a major reassessment, for example, in the way growth is being perceived by economists and social scientists. "At first we all assumed that growth in and of itself would bring all the other blessings — employment, social justice and greater national welfare," said Raj Thapar, the editor of Seminar, India's most prestigious intellectual magazine.

"Now we know that this is simply not true."

The growth rates dipped after the initial surge, but overall there has been a steady rise, averaging 3.5 percent a year with an average 2.8-percent increase in agriculture. Along the way, India has become statistically self-sufficient in food grains.

At the same time, however, per capita grain consumption has dropped. More than 315 million people live below the poverty line, which is put at a household income of \$8 a month in the countryside and \$9 a month in cities. The growth has not led to the anticipated trickle-down effect.

In the last two years, industrial growth has been stalled. Given the close connection between politics and industry in India, the political turbulence that resulted from the downfall and return to power of Indira Gandhi inhibited industrial activity.

In light of this, the pending plan's projection of an average 5-percent increase is widely desired. "A 5-percent growth rate is highly desirable but it cannot yet be considered probable," said Mr. Bhoothaingam. The growth rate is critical in the planning process because on it depends the amount of investments to be raised from taxation and savings. If the growth rate is beyond reach then there will be a shortfall in investments.

It is in the second category, that of working toward self-reliance, that almost all economists give India its highest marks. Through a system of controls and inducements almost all sectors of the Indian economy have been freed from reliance on imports. Import substitution has succeeded to the point where the country produces all of its consumer goods and almost all capital goods. In only six industrial sectors do imports exceed 25 percent of supply. These include petroleum and heavy earth-moving equipment.

A graphic index of India's success in this regard is that while 30 years ago the country's major exports were jute, cotton and tea, today the single most important export category is engineered machinery. But even in this area there is some criticism from economists who assert that emphasis on import substitution has resulted in the neglect of rural development. Others have maintained that through direct and indirect subsidies the import substitution effort has created an artificially sheltered industrial sector that is cost-inefficient.

These, however, are mere quibbles when compared to the widespread criticism directed at the failures of policy to curb a huge unemployment rate or lessen the inequities so apparent in Indian life. Just to keep pace with population growth and oen entrants into the job market India should create 2.5 million new jobs each year. In 1978, the last year for which figures are available, only three quarters of a million new jobs were created. The pool of unemployment and marginally employed mounts day by day.

One economist has pointed out that after nearly 30 years of planned growth, India's



Jawaharlal Nehru
... he had a vision

modern industrial sector employs only 26.5 million workers, or only 9.7 percent of the work force.

It is clear that huge increases in the price of oil, periods of poor weather and some aspects of international trade have hurt the Indian economy. But as the economic critics point out, such factors are largely beyond the control of the government, while poor planning and implementation linked to bureaucratic obfuscation are not.

One criticism of the planning process is that it has not been able to monitor the work it initiates. Another complaint is that by emphasizing development through an investment in enlarging capacity, the planners have not paid sufficient attention to more direct attacks on poverty such as the expansion of rural public-works programs aiding farm cooperatives and further subsidizing of construction of irrigation canals. According to economists like Mr. Krishna, these projects not only supply immediate work for the rural poor but insure greater agricultural work, since irrigated fields with their higher yields require more and not less labor.

But the greatest criticism of all is directed by many economists at the entire relationship between government and all sectors of the economy. Their complaint is that waste and inefficiency have become integral parts of the political economy.

Discrepancies Noted

Other economists point to the discrepancy in profits and productivity registered by private and government-run industries as proof of the bureaucrat's deadening touch.

The average profit in the private sector is 11 percent, while in central government undertakings it is 4.4 percent. In enterprises run by the various states, the figure is 2.2 percent.

Prem Shankar Jha, editor of The Financial Express and a Marxist economist, has suggested in a recent book, "India, A Political Economy of Stagnation," that the beneficiaries of much of India's limited progress are the major obstacles toward greater and wider economic development.

Drug Multinationals Face Curbs

By V. Ramamurti

BOMBAY — Multinational drug companies have been the subject of widespread public concern and criticism in many countries, including India.

Both national enterprises and multinational companies, however, have contributed to the Indian pharmaceutical industry — the multinationals in terms of transfer of technology and expertise, production of bulk drugs from basic stages, research and development, and professional management.

There was little multinational involvement in India's fledgling pharmaceutical industry before independence in 1947. Until then most foreign drug companies were merely marketing in India products manufactured abroad. After World War II, many foreign firms set up facilities in the country, mainly to process imported bulk drugs into finished pharmaceuticals.

They were in a position to introduce new products in the market, and by 1952 they came to account

for about 30 percent of the total capital investment of \$31 million in the industry and for 40 percent of the total drug market of \$45.5 million.

The foreign firms went forward to manufacture several drugs within the country from basic stages during the latter 1950s and the 1960s.

The government welcomed foreign capital and gave three crucial assurances to encourage foreign investment: There would be no discrimination between foreign and Indian enterprises in the application of industrial policy; there would be reasonable facilities for the remittance of profits and repatriation of capital; and in the event of nationalization, there would be fair and equitable compensation.

A policy for the manufacture of bulk drugs from basic stages within the country and for the regulation of foreign collaboration was recommended by the pharmaceutical enquiry committee in 1954 and was implemented by the government in the years that followed,

despite objections from some segments of the national sector of the industry that Indian firms had ample capacity to process bulk drugs themselves.

The result was that a number of foreign drug companies began to manufacture a wide range of bulk drugs from basic stages or from imported intermediates. The foreign firms meanwhile continued and expanded their activities with finished pharmaceuticals.

Bulk Drugs

By 1966-67 production had been established at substantial levels for a variety of bulk drugs in the antibiotic, sulphur, anti-tuberculosis, anti-dysentery, anti-leprosy, anti-diabetic, anti-malarial, anaesthetic, analgesic, corticosteroid, vitamin and miscellaneous categories.

Half of the 34 large-scale units that were manufacturing bulk drugs then had foreign capital participation ranging up to 100 percent. By 1974, 56 percent of the total bulk-drug production, valued at \$85.8 million, and 53 percent of the total production of finished pharmaceuticals, valued at \$533 million, were accounted for by drug companies with foreign participation.

This market more than doubled in absolute terms from 1975 to 1979, but the relative share of the multinational sector declined to about 40 percent by 1978. The share of this sector in capital investment totaling an estimated \$585 million in the industry was also about 40 percent that year. Its projected market share would be only about 30 percent or, at the most, one-third of the total drug market of \$2.47 billion targeted for 1982-83 for the sixth five-year plan.

National Sector

The national sector has thus reached a position of dominance in the Indian drug market. This is the cumulative result of several policy measures — some having the effect of restricting expansion in the multinational sector and others encouraging expansion in the national sector — adopted since an inquiry panel, known as the Hathi Committee, reported in 1975.

Provisions relating to foreign companies — those with foreign equity exceeding 40 percent — in a government drug-policy statement of March, 1978, are being gradually implemented and will further limit the role of such companies in the Indian pharmaceutical industry.

Among the effects of the policy measures, some of the ready in effect, are:

- Seven foreign companies imported or produced bulk drugs into pharmaceuticals have been forced to lower their foreign holding to 40 percent.

- No licenses will be given to foreign companies for bulk drugs reserved for the government-sector units, a private-sector unit.

- Foreign companies' finished pharmaceuticals imported bulk drugs or introducing bulk drugs from stages are required to such drugs from basic stages in two years.

- Foreign companies given licenses only for high-technology and finished pharmaceuticals linked with them. (Some foreign companies have been an expert committee as of high-technology drugs.)

- Foreign companies' bulk drugs from operating in scale sector.

- Foreign companies be given new loan licenses to use facilities companies for manufacture.

- While Indian companies allowed to go up to a ratio of 10 between bulk drugs and finished pharmaceuticals overall production, foreign companies cannot go beyond a 5-to-1 ratio.

- The foreign drug market is generally to be to the relatively minor designed them. But they have for some liberalization of limits and constraints, for example, to their installed capacity.

But the government's that proposal to foreign manufacturing only pharmaceuticals.

Future Seems Uncertain For Billion-Dollar Sector

(Continued from Page 7S)

"The Indian packaging industry is 20 years behind the West," said a European industry observer. "Throw-away plastics have still to make an appearance."

A recent attempt by Hindustan Lever's, an associate of Unilever, to woo middle-class working wives with packaged dehydrated peas was a failure. The reason: The plastic packaging proved too expensive, elevating the item to the point only the highest-income groups could afford it — but this class had servants who could purchase vegetables fresh from the market.

Decisions are only now being made for petrochemical projects in the sixth plan. Construction of two gas-crackers (cracking is a process in which heavy hydrocarbons are broken up by heat into lighter products) with capacities of 225,000 and 300,000 tons per year will be going ahead in the states of Maharashtra and Gujarat.

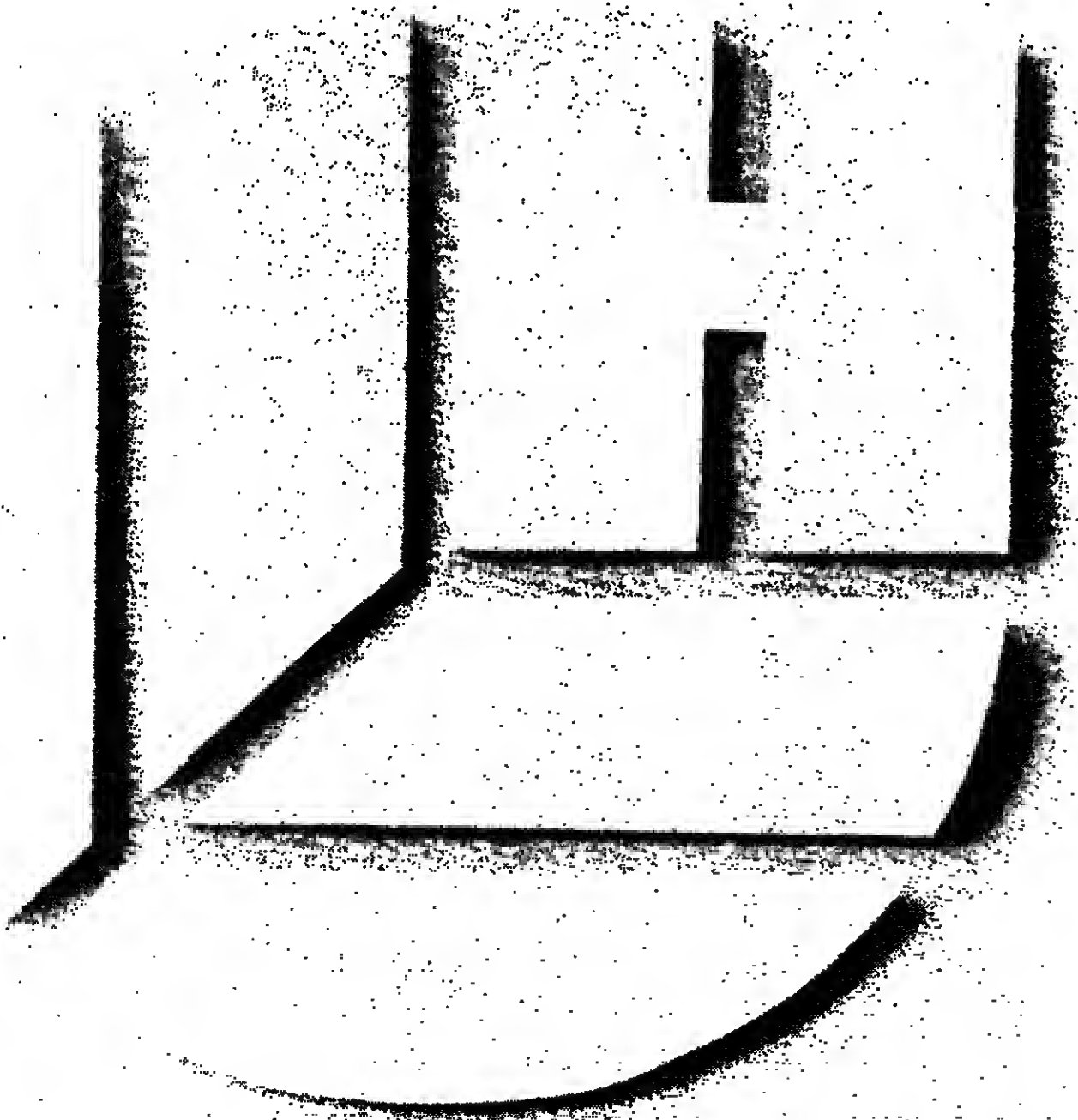
Both Maharashtra State Petrochemicals of Bombay and Gujarat State Petrochemical of Ahmedabad have contracted engineers to prepare viability studies identifying product patterns and site locations.

Downstream products are likely to be 200,000 metric tons of low-density polyethylene, 80,000 to 100,000 metric tons of high-density polyethylene, 200,000 metric tons of polyvinyl chloride, 60,000 metric tons of polystyrene and 80,000 to 100,000 metric tons of ethylene oxide.

India has only one major petrochemical complex in operation, a \$630-million government-controlled facility near Vadodra, Gujarat (about 230 miles north of Bombay) inaugurated in March, 1979, and operated by Indian Petrochemical.

Two new petrochemical complexes are on the way to help fill the supply-demand gap. The Haldia complex in West Bengal is still in initial stages, but the \$250-million refinery and petrochemical operation at Bongaigaon, Assam (north of Bangladesh), is well under construction. By 1985, the Bongaigaon complex should be producing 45,000 metric tons per year of dimethyl terephthalate and 30,000 metric tons a year of polyester staple fibers.

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Local Pharmaceuticals Dominant

AS — In 1950, India dependent for 90 per cent of its supply of modern drugs. Today imports account for less than 10 per cent of its pharmaceutical products.

Today, India has achieved a self-sufficiency in the pharmaceutical sector, both by the public sector and the private sector. In addition, there has been a proliferation of producers and manufacturers, a large number of which are small-scale units.

India's Fifth Plan estimates that the pharmaceutical industry will grow from Rs.240 million in 1974-75 to Rs.1,000 million in 1979-80, of which bulk drugs will account for Rs.1 billion.

Exports of drugs were negligible before 1960. But by 1977-78, exports, which were only to the United States, West Germany and the Soviet Union, amounted to Rs.1.5 billion.

In the early years the industry was dominated by a few large units. But by 1977-78, the industry had grown to 1,000 units, of which 800 were small-scale units.

The pharmaceutical industry in India is dominated by the public sector. The public sector accounts for 80 per cent of the industry's output.

But these units have been incurring heavy losses and have been producing drugs far below their capacity.

Ministries have blocked decisions on this report, the same observers say. The result, they say, is a hesitation to undertake additional investment and expansion of production.

The Sixth Plan envisages an additional investment of as much as Rs.3.7 billion to achieve increases in the production of bulk drugs from Rs.1,640 billion in 1977 to Rs.6.25 billion by 1982-83.

For formulations, the plan envisages a doubling of production from Rs.9 billion to Rs.13.75 billion, calling for an additional investment of Rs.1.5 billion.

The international companies, which account for a substantial part of the output of the industry and for a large share of the investment in research and development, play a substantial role, despite the growth of many indigenous units.

So does the public sector, especially in the manufacture of bulk drugs like penicillin and tetracycline, which call for heavy investment.

The two major public-sector units, Hindustan Antibiotics Ltd., at Pimpri, near Pune, and Indian Drugs and Pharmaceuticals Ltd., which has three sub-units at Rishikesh, Hyderabad and Madras, account for an investment of over Rs.1 billion.



One of the many young technicians in the pharmaceutical industry in India at work in laboratory.

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An ammonia plant of similar size was recently completed at Phulpur, Uttar Pradesh. An earlier Pullman Kellogg plant, with a 360 ton-per-day capacity, went into operation in India in 1967.

The Kalol and Phulpur plants are among more than 120 large-scale, single-train, ammonia plants designed and/or built in 32 countries worldwide by Pullman Kellogg since 1965. Among these are 19 ammonia plants in the Soviet Union, and such nations as Romania, Mexico, and Indonesia have depended heavily on Pullman Kellogg ammonia technology to increase fertiliser production.

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Pullman Kellogg Large-Scale Ammonia Plants			
Location	Plants	Location	Plants
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Australia	1	Pakistan	2
Belgium	1	People's Republic of China	10
Brazil	3	Republic of Korea	2
Canada	4	Romania	7
England	3	Saudi Arabia	1
Federal Republic of Germany	1	South Africa	1
German Democratic Republic	2	Spain	1
Hungary	1	Sri Lanka	1
India	2	Syria	1
Indonesia	4	Taiwan	1
Iran	2	Trinidad	2
Ireland	1	Turkey	1
Italy	1	United States	32
Japan	4	U.S.S.R.	19
Mexico	6	Yugoslavia	2
Total			123

Moreover, the reliability of these plants, their ease of operation and maintenance, and their high on-stream efficiency have made them ideally suited

to the needs of nations the world over. Pullman Kellogg worked closely with Engineers India Limited (EIL) in the engineering, procurement and construction phases of both the Kalol and Phulpur projects. EIL also had civil and electrical engineering responsibilities. Local materials and equipment were utilized on these projects; as were Indian sub-contractors and construction forces.

Based on these experiences, Kellogg established a working relationship with EIL to execute a contract for Sri Lanka's first major fertiliser complex. Mutually beneficial cooperative efforts such as these established "technology transfer" as an integral part of contracts for future Indian process facilities. Pullman Kellogg welcomes the opportunity to extend its full manpower and technology training capabilities to India's engineering professionals and thereby improve their technical skills for the betterment of their country.

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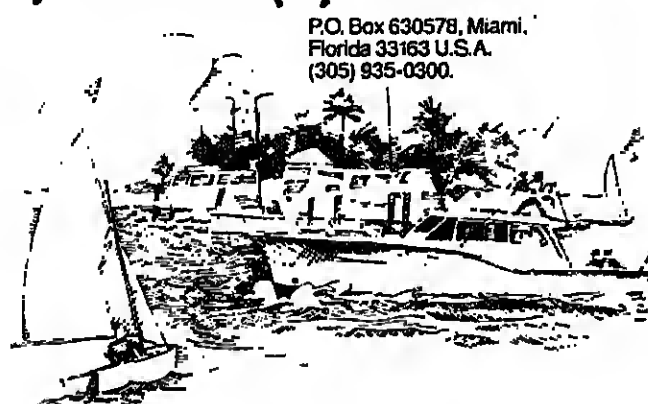
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Kapalua Realty
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1,200 ACRES

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Tel: (713) 668-2266.
Telex: 73-5568.

الرياض

NESS NEWS BRIEFS

Hibernia Estimate: 1 Billion Barrels
New York Times Service
Alberta — Chevron Standard said Thursday that its Hibernia province of Newfoundland contains at least 1 billion barrels of oil that could yield up to 200,000 barrels a day, about twice the company's original expectations when it was first announced.

Pictures Sues Kerkorian
United Press International
— Columbia Pictures Industries said Thursday it has filed federal court to compel financier Kirk Kerkorian and his firm, Tracinda Investment Corp., to divest themselves of Columbia Pictures and to acquire any more shares.

Consumer Electronics Business
Reuters
Conn. — General Telephone and Electronics said its agreement in principle to sell its consumer electronics business to Philips Corp. will result in a loss of 550 jobs.

\$190-Million U.S. Army Contract
Reuters
Mass. — General Telephone and Electronics announced a \$190-million multiyear contract from the U.S. Army to develop and produce a new type of telephone switch.

Expanding Potash Capacity
Reuters
Saskatchewan — Potash Corp. said that it will begin work on a \$430-million expansion of its mine and mill here.

Conti's Merger Withdrawal
International Herald Tribune
— A legal battle may be shaping up between Continental Germany's largest tire manufacturer, and Kleber-Cooper's second-ranking tire company, the companies said.

Germany Consolidating Air Industry

— West Germany's largest aircraft manufacturer, Messerschmitt, said Thursday it will sell to United Technologies Corp. its stake in the company's aircraft division.

CURRENCY RATES

Exchange rates for October 2, 1980, excluding bank service charges									
	U.S.	DM	FF	£	Yen	Sw.	Sc.	DK	Nor.
100 U.S.	1.0000	3.3636	6.5595	0.7463	163.33	1.3360	1.4836	8.4663	13.7603
100 DM	0.2973	1.0000	1.9364	0.1254	48.35	0.8333	0.9375	5.3347	8.7564
100 FF	0.1524	0.0516	1.0000	0.0136	24.63	0.7500	0.8333	4.8359	7.9365
100 £	1.3401	8.0000	72.9000	1.0000	246.36	1.6000	1.7857	10.6631	17.4570
100 Yen	0.0061	0.0207	0.0406	0.0041	1.0000	0.0080	0.0091	0.0537	0.0913
100 Sw.	0.7463	0.2500	0.7500	1.0000	133.60	1.0000	1.1250	6.5595	10.9375
100 Sc.	0.6756	0.2292	0.7292	0.9375	109.38	0.8750	1.0000	5.7143	9.5238
100 DK	0.1194	0.0391	0.2083	0.0938	1.9364	0.1250	0.1429	1.0000	1.6667
100 Nor.	0.0746	0.0246	0.1250	0.0577	1.3760	0.0769	0.0870	0.5336	1.0000

Over 10 Million Barrels a Day Seen

Saudis Reported Ready to Lift Oil Output; Riyadh Denies It

From Agency Dispatches
NEW YORK — Saudi Arabia has decided to increase its daily crude oil output to offset shortages caused by the Iran-Iraq war, according to news reports Thursday. Saudi officials in Riyadh denied the reports.

Citibank Lifts Prime Rate to 14%; Highest Since May

The Associated Press
NEW YORK — Citibank raised its prime lending rate one percentage point to 14 percent Thursday, the highest since May 1979.

Dow Proposes Scottish Plant

Reuters
LONDON — Dow Chemical said Thursday it has sent a proposal to the British government for the construction of a major petrochemical complex on Cromarty Firth in northern Scotland.

Carter Aides See Deficit In Budget at \$45 Billion

By Art Pine
Washington Post Service
WASHINGTON — Carter administration officials are revising their estimate of the fiscal 1981 budget deficit to somewhere around \$45 billion rather than the \$29.8 billion they projected last July.



Rolls-Royce's Silver Spirit. Push leather interior and split level air conditioning accompanied by a hefty sticker price.

Rolls' New \$118,464 Silver Spirit Uses Pharaohs' Secret for Security

United Press International
PARIS — The only sound inside a Rolls-Royce traveling at 60 miles (100 kilometers) an hour used to be the gentle ticking of the dashboard clock. Now even that little annoyance is gone, replaced by a silent digital computer in the automaker's latest model — the \$118,464 Silver Spirit.

No Change Seen in Bundesbank Policy

Bankers Say DM Rates Have Not Peaked

Reuters
FRANKFURT — Deutsche mark interest rates, which have been on the upturn for the last month, have probably not peaked, bankers said.

Telecommunications Part of French Plan

Reuters
PARIS — The French government plans to invest 100 billion francs (\$23.8 billion) in telecommunications and computer technology over the next five years.

Poehl Sees Limits on Actions

BONN (AP-DJ) — Karl Otto Poehl, president of the Bundesbank, said Wednesday that domestic economic factors strongly point to the need for an easing of the central bank's strict monetary policy.

Shell Oil Dropped 1/4 to 46 1/2

— Shell Oil dropped 1/4 to 46 1/2 on turnover of more than one million shares. A block of 783,200 Shell moved at 46.

Oils Power NYSE Gains; Volume Dips

From Agency Dispatches
NEW YORK — Prices on the New York Stock Exchange edged higher Thursday in heavy trading in spite of another rise in the prime rate as the oil group continued to provide much of the motive power.

Concern that surging interest rates could impede the current economic recovery still worried investors. The Federal Reserve's determination to control inflation through credit-tightening is likely to keep rates high.

Investors also worried the Iran-Iraq war could drag on, reducing oil supplies to the West. News reports said Saudi Arabia will raise its oil production to more than 10 million barrels in a bid to offset the oil loss.

Exxon gained 1 1/2 to 73 1/2. Among its partners, Standard Oil (Indiana) rose 1 1/2 to 71 1/2. Union Oil of California rose 1/2 to 42 1/2 and Atlantic Richfield 1/4 to 57 1/2.

Volume leader G.D. Scarle dropped 4 1/2 to 20 1/2 on turnover of more than one million shares. Food and Drug Administration scientists recommended against sales in the United States of Scarle's low calory sweetener, Aspartame.

Shell Oil dropped 1/4 to 46 1/2 on turnover of more than one million shares. A block of 783,200 Shell moved at 46.

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Trade Development Bank

Shown at left, head office of Republic National Bank of New York, U.S. subsidiary of the Trade Development Bank Holding Group. Republic is one of America's largest dealers in gold.

This announcement appears as a matter of record only.
September 10, 1980

BLOCKER

Blocker Drilling Partners 1980-1 Ltd.
\$11,425,000

Blocker Drilling Partners 1980-2 Ltd.
\$15,000,000

Texas Limited Partnerships

Blocker Exploration Company
General Partner

Merrill Lynch White Weld Capital Markets Group
Merrill Lynch, Pierce, Fennner & Smith Incorporated

[illegible]

